Text and Cases

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Consumer Behaviour Text and Cases

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Tata McGraw Hill Education Private Limited

McGraw-Hill Offices New Delhi New York St Louis San Francisco Auckland Bogotá Caracas Kuala Lumpur Lisbon London Madrid Mexico City Milan Montreal San Juan Santiago Singapore Sydney Tokyo Toronto



Published by the Tata McGraw Hill Education Private Limited, 7 West Patel Nagar, New Delhi 110 008.

Consumer Behaviour: Text and Cases

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This edition can be exported from India only by the publishers, Tata McGraw Hill Education Private Limited.

ISBN (13 digit): 978-0-07-107810-8 ISBN (10 digit): 0-07-107810-X

Vice President and Managing Director: *Ajay Shukla* Head—Higher Education Publishing and Marketing: *Vibha Mahajan* Publishing Manager—B&E/HSSL: *Tapas K Maji* Associate Sponsoring Editor: *Hemant K Jha* Associate Development Editor: *Amrita Marik* Editorial Researcher: *Silvi Dua* Executive (Editorial Services): *Yogesh Kumar* Senior Production Manager: *Manohar Lal* Senior Production Executive: *Atul Gupta* Marketing Manager—Higher Education: *Vijay Sarathi* Assistant Product Manager: *Daisy Sachdeva* Graphic Designer (Cover Design): *Meenu Raghav* General Manager—Production: *Rajender P Ghansela* Manager—Production: *Reji Kumar*

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Typeset at The Composers, 260, C.A. Apt., Paschim Vihar, New Delhi 110 063 and printed at

Cover Printer:

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Preface

Today's global business has brought into focus the true importance of adopting a customer centric outlook by the marketing firms, because it is a well-known fact that all kinds of marketing begins and ends with the consumer. In fact, the genesis of marketing can be found in the act of determining consumer needs, designing the products, services and strategies to meet those needs, and finally ensuring customer satisfaction by the marketers.

A marketer in today's conditions has to think more like a psychologist. It has to undertake a research into the consumer behaviour in order to understand as to how its consumers can accept, perceive, and respond to its product offerings and other related market activities. The psychological insights so gained into consumer behaviour are then utilised to determine its marketing plan, brand and product positioning, and consumer communication strategy.

This book is an attempt to discuss consumer behaviour in an easy to understand manner. It has been divided into 15 chapters for comprehensive discussion of various aspects of the subject. Each chapter deals with an important concept of consumer behaviour and amply explains to the reader that particular concept by taking examples and references from the real world scenario. Rich chapter-end pedagogy including references, additional readings, chapter summary, objective type questions (with answers) and review questions add value to the text for the students of the subject. Each chapter concludes with a case on the theme of the chapter, making the concepts more comprehensible. All the chapters have been so devised, so as to enable the readers to relate the theory of consumer behaviour to the real world practices.

With its approach and design, we sincerely hope and believe that this book will find wider acceptance with both—the students as well as the teachers of the subject. We shall be grateful for feedback and suggestions for further improvement in the book.

Ramneek Kapoor Nnamdi O. Madichie The McGraw·Hill Companies

Acknowledgements

The publisher and the authors thank the following reviewers, among others, who reviewed the manuscript of the book and contributed in its development as the present text-book, by giving their valuable feedback and suggestions.

- ▲ Dr. Yaseer Mahfooz–Department of Business Administration, Aligarh Muslim University, Aligarh
- ▲ Prof. Seema Hariharno–School of Management, Sastra University, Tanjore
- ▲ Dr. M.S. Khan–Babasaheb Bhimrao Ambedkar University, Lucknow
- ▲ Prof. Shekhar Srivastva–IILM Academy of Higher Learning, Lucknow
- ▲ Prof. Girish M.-St. Aloysius Institute of Management and Information Technology, Manipal
- ▲ Prof. Subhokit Chakraborty–DSMS, Durgapur, West Bengal
- ▲ Prof. Manigrib Bag–Institute of Business Management and Research, Kolkata

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Consumer Behaviour: An Introduction

LEARNING OBJECTIVES

After reading this chapter, you should be able to:

- Understand the concept of consumer behaviour
- Trace out the development and emergence of the concept of consumer behaviour in marketing
- Understand the significance of historical aspects of consumer research and behaviour
- Understand the process of consumer research
- Learn about the significance of understanding consumer behaviour in marketing

A consumer has been a very important but, at the same time, enigmatic entity for most marketers. Marketers try to understand the behavioural aspects of the consumer by undertaking research so that they could direct their policies and strategies in such a way that the consumer could be brought closer to their idea of his personality. The concept of consumer behaviour, however, changes with every development in the market. A new concept of consumer behaviour and his personality has to be reapplied with every new innovation in technology and every new research in human psychology. The changing face of consumer behaviour through the ages has proved that the consumer modifies his behaviour faster than the change in technology takes place and gets accepted. This dynamic and ever-changing nature of consumer behaviour makes it extremely difficult for the marketers to eventually catch up with him and understand his new expectations. It has been observed that the

technology used by marketers to unravel the mysteries of consumer behaviour is responsible for making him look for yet higher levels of attention and satisfaction from the products and services he buys. Every new innovation and the resultant changed consumer behaviour makes the same technology redundant, and the research carried out by the marketers and researchers so far regarding consumer behaviour outdated.

RELEVANCE OF STUDYING CONSUMER BEHAVIOUR

A marketer today is forced to explore the possibilities of reaching out to his customers within the confines of their comfort zones in order to understand and study the new emerging technology-savvy consumer and his behaviour. The modern marketer understands that marketing has moved beyond the traditional four Ps, spelt out by the marketing academicians of yesteryears. Today, marketing encompasses many other Ps, which need to be redefined. The marketer today wants to understand the following additional features and characteristics of his consumer and his markets by way of studying consumer behaviour:

- 1. **Consumers' source or sources of information:** Is it the traditional source, or is it the new technology-supported source such as the Internet, website or combination of all?
- 2. **Consumer's perception about the manufacturers:** What does a consumer think about the product, its producer and what kind of perception he holds about the competitor producer and his products?
- 3. **Consumer's perception of his own need and its satisfaction:** What is the actual need of the consumer? Is the consumer himself aware of his need? Does he need a stimulus to remind him of his need? How intense is his desire to fulfil the need? Does he know that his need will be satisfied by the products available? If not, what more is needed to educate him on the products and their efficacy to give him a feeling of satisfaction?
- 4. Consumer's way of using and consuming the products and services: The marketer today is keen to study the ways and styles used by the consumer to use and consume the products, so that the marketer can learn himself as well as educate the consumer on the correct usage. Thus, it is a two-way process where the marketers learn about the consumers' habits, usage patterns and other consumption peculiarities and then educate him as to how to bring about improvement in them to draw better satisfaction from the products or services on the offer.
- 5. **Consumer's sources of buying:** The buying source of the consumers, their frequency of buying, and their reasons for buying are all enigmas that a marketer wants to understand and solve.
- 6. **Consumer's adaptability to changing faces of technology:** How far is the consumer today able to keep pace with the ever-changing technology? How far and how deep has the new technology affected the buying decisions and buying habits of the modern consumer?
- 7. **Comprehensive research into consumer behaviour:** The study of consumer behaviour has to be more than mere researching into the buying habits of a consumer. The comprehensive research on consumer behaviour has to be a dynamic process that must keep pace with the changes in the behaviour of the consumer and his buying habits, his decision-making and his response to decision influencers.

8. Effects of globalization on consumer behaviour: The current trend in development of globalization of consumer education and the consumers' psyche, in addition to the opening of the economies, has created a revolutionary awakening among the consumers of all the countries of the world, particularly in emerging markets of the world. The consumers in the emerging markets are frequently getting exposed to new innovations in technology. They are experiencing the new dimensions of quality standards. The emergence of the Internet, World Wide Web, and the widespread reach of telecommunications and the electronic media have been educating the consumer to raise his level of expectations from the marketers and their organizations.

CHANGING FACES OF CONSUMER BEHAVIOUR AND DECISION-MAKING

Marketers in the modern times are finding it difficult to cope up with the changing face of their consumers. The consumer today does not let his behaviour to be known to any one when he takes his buying decisions within the confines of his own comfort zones of laptops and Ipads. Consumer buying is shifting from the shop floors of the retail stores, from the shopping malls and from the open markets to the Internet and websites. The consumer can take decision and buy products and services from his drawing rooms, bedrooms, boardrooms and office cabins on the Internet. Today, a consumer takes a decision about his consumption, his buying, his purchases, and his exchange aspects without consulting any of the traditional live or static salesmen across the counters—the live being human beings and the static being the silent salesmen in the shape of point of purchase sales supporters and catalysts displayed in traditional product displays. That urges, motivates and activates a marketer to think out of the box today.

CONCEPT OF CONSUMER BEHAVIOUR

Consumer behaviour has been defined as "the study of understanding how the consumer makes decision about the spending of his limited resources, e.g. time, effort, and money for such purchases. It is a study of "what makes him pick up particular services or products and what makes him reject many others services and products on the offer."

The consumer today is subjected to many kinds of informative messages, luring advertisements, motivating invitations and suggestive purchase directions from all kinds of media and its vehicles. But does a consumer really listen to each and every message being thrown upon him from all directions? If he does, it will be very confusing for him to make a decision. He may end up wanting to purchase all the products. But his resources such as time, money and efforts are limited in nature. He cannot afford to squander away all his limited resources of time, money and effort like this. The consumer, in order to make an educated purchase decision, must make a choice. He must be in a position to evaluate discerningly the selected information he wants for himself, from the jumble of information being thrown upon him from all kinds of media.

The marketers analyse consumer behaviour in order to draw their marketing and selling strategies. They want to decide as to how they should offer those products or services that their customers will prefer and purchase. The marketers use the study of consumer behaviour to either carry out necessary changes in their products as the consumer wants it (as enumerated by the consumer behaviour

study). Or, they want to fashion their products, offers, schemes and promotional campaigns in such a way that these help the consumers to evaluate these offerings favourably. The definition of consumer behaviour itself explains that the study of consumer behaviour is primarily focused on:

- ▲ The consumers who buy the products and services of the marketers
- ▲ Their process of deciding as to which products or services to buy from a mix of many choices available
- ▲ The places from where the consumers buy the products or services
- ▲ The frequency of buying
- ▲ The frequency of usages

Consumer behaviour has often been called the dark alley and an unfathomable, unknown cerebral exercise.

Figure 1.1 explains as to what we mean by consumer behaviour being an unfathomable and not so known area of cerebral exercise. It will help us understand as to why it is necessary to conduct a research into consumer behaviour to identify with and analyse the thought process that goes into a consumer's mind. All this is necessary to help a consumer make the right buying decisions.

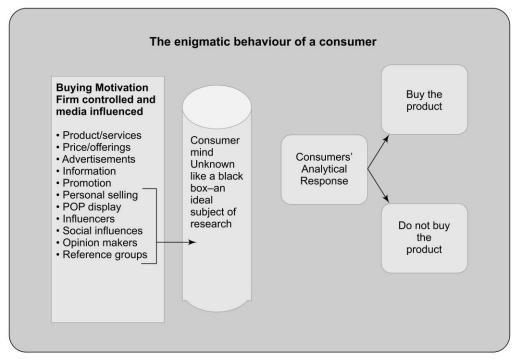


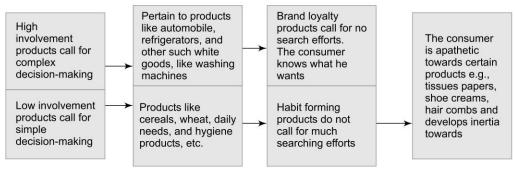
FIGURE 1.1 The Unknown World of a Consumer

Figure 1.1 amply displays the confusing atmosphere and difficult-to-understand thinking pattern that goes on in a consumer's mind. It is very difficult for a marketer to identify exactly and pinpoint as to what stimulates a consumer's mind and propels his buying decision.

The marketers can infer the following from the study of consumer behaviour:

- ▲ Consumer's spending patterns involve understanding the economic utilization of money, time and effort spent by him as against the value received by him that can throw light on his decision-making activity.
- ▲ The process of consumer decision-making is not very complex when a consumer wants to purchase products and services that he is habituted to buying.
- ▲ A consumer does not have to exercise much of cerebral stress and strain when he has to buy products which he has been able to see and perceive as his favourite brands after having had previous association with the product.
- ▲ The concept of human decision-making under the influence of the external influencers, thus, is a study of human psychology and the impact of external variable on the human psyche that helps in making a buying decision.

Figure 1.2 explains in detail the process of consumer decision-making based on the assumptions we have discussed before.



(Source: Adapted from Assael H (1987), Consumer Behaviour and Marketing Action, 3rd ed; Kent Publishing Co., Boston.)

FIGURE 1.2 The Consumer Decision-Making Process—An Analytical Overview

The intensity of the decision-making exercise of the consumer will vary as per his involvement in the purchase of the products and their economic value to him.

- ▲ Some of the products having high value to him will obviously call for his high involvement as the decision-making becomes complex for him. He has to collect information from many sources. He has to evaluate the information so received by him before taking an intelligent decision. High involvement products involve high price, with complex features and pose a higher perceived risk in decision-making. The consumer, obviously, will not like to be seen as a novice in the art of buying. Hence, a high level of search and involvement is necessary.
- ▲ The products for which he has already formed a regular habit of buying will be simply picked up off the shelves of the stores, without putting much of strain on his thinking and analytical faculty.
- The brands patronized by him due to long usage and positive and favourable experiences too will not be subjecting him to much of cerebral exercise, since he knows which brand he has to buy.

But that is only a narrow and limited view of a consumers' mindset. His decision-making definitely gets influenced by the investment of time, money and effort required by the purchase

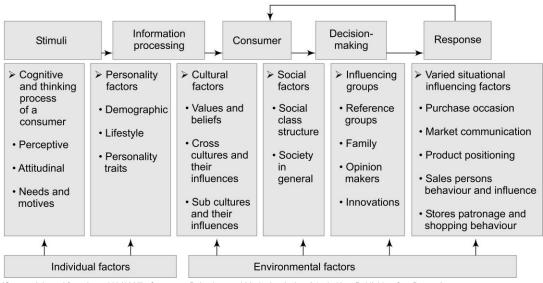
action, and also the value return that he expects. But we know that value return is not the only factor that influences his cerebral process. The consumer today is influenced by many other factors in addition to economic factors.

The process of buying decision of a consumer is not so easy to comprehend and any study to understand this mental exercise of the consumer will have to delve deep into the human psyche. Such a deep study is definitely connected to the understanding the human behaviour in connection with the response of the consumer to millions of stimulus that are thrown upon him by the marketers, media promoters and product sellers.

The consumer today is subjected to many external influences. He reflects upon them in terms of their suitability to his own personality factors. Such an analysis does help him take a decision about either accepting an offer or buying the product. He can, if the offer does not fit his own idea of his personality, straightaway reject it. He undergoes a process of decision-making within his mind based on the information and the stimuli received by him.

The market researchers are obviously very keen to study this process of decision-making of a consumer. It is difficult for any market researcher to point out a single factor that could have helped a consumer reach his buying decision. The marketers are also not in a position to ascribe the decision-making of a consumer to a cluster of influences. Behavioural research scientists have given out a number of external factors that, as a reaction to the interaction and influence on the individual personality factors of the consumers, could influence the purchase decision.

Assael H¹ has listed the following internal as well as external factors that influence the individual consumer's decision-making, as given in Figure 1.3.



(Source: Adapted from Assael H (1987), Consumer Behaviour and Marketing Action, 3rd ed., Kent Publishing Co., Boston.)

FIGURE 1.3 Factors Affecting Consumer Behaviour

As can be seen in Figure 1.3, Assael has ascribed the process of consumer decision-making to a number of internal as well as external factors. It has not been specified as to what factor will

influence up to what degree or/and whether all factors are considered simultaneously or different factors affect the decision-making during different times of consumer's decision-making process. That is why consumer's mind has been compared to that of a black box that remains an enigma to market researchers and marketers.

DEVELOPMENT AND EMERGENCE OF CONSUMER BEHAVIOUR CONCEPT IN MARKETING

Marketing has evolved over a time from the early stages of self-consumption era to barter systems, and to sales era. In the *sales era*, the consumer and his decision-making prowess obviously did not carry much importance to the manufacturer and seller of products. The seller always believed that whatever he had produced, it would be sold. Such an approach obviously has been referred to as *production orientation* where the producer trusted that the consumer's decision-making and his choice is not very important. A consumer, in order to meet his need, has to buy whatever is produced by the producers of goods and services.

It was only during the *marketing era* that the consumer and his right to make a choice had been given due recognition. The marketer thought it important to understand the need of the consumer during this era and accordingly, he based his plans of producing and marketing a product on the understanding so gained by him from the study of consumer behaviour in his purchase process.

But the entire process of decision-making of the consumer is still indefinable for the marketer. The marketer is in no position to pinpoint a single factor that he could hold responsible in shaping the consumer decision-making process. Hence, the marketer has to constantly keep on researching into the dynamism of the consumer behaviour to understand those factors that could affect the consumer's purchase decision. This has been referred to as the *marketing orientation* too by many historians of marketing. The marketer in his marketing orientation researches into the consumer behaviour to find answers to the following questions constantly:

- ▲ What is the actual need of the consumer?
- ▲ How does he become aware of his actual need?
- A How does he decide on which product he should buy from the mix of products available in the marketplace?
- ▲ What does he think of the products on the offer in the market by so many manufacturers?
- ▲ What does he think of the products on the offer by the marketer whose product he ultimately decided to buy?
- ▲ Does the consumer want improvements in the products already bought or even not bought by the consumer? If so, what and how much improvement does he want?
- ▲ What is the usage pattern of the consumer for different products adopted by him? Can we educate him to adopt better usage patterns for the same products?
- ▲ How does he use the product of the marketer whose products he has bought?
- ▲ What is the media through which we can reach our message about our products to him?
- What does he think of the promotional methods adopted by so many manufacturers for selling their products to him?
- ▲ What attitude does he display towards such promotions of our products and services?
- ▲ What factors can influence his decision to so many questions mentioned above?
- ▲ What role does he assign himself as a family man, as an individual and as a member of the society?

- ▲ What are his aspirations, desires, hopes, dreams?
- ▲ How do we help him in fulfilling these aspirations desires, hopes and dreams?

HISTORICAL ASPECTS OF CONSUMER RESEARCH AND BEHAVIOUR

Consumer research has been a part of marketing research. Marketing research, however, does not delve deep into the consumer psyche to understand his different behavioural aspects. This study has been entirely the prerogative of the psychologists, sociologists, cultural anthropologists, and economists. The disciplines that had been studying consumer in his economic, psychological, sociological, sociological, and cultural relationships and influences included the following scientific fields:

- 1. **Psychology:** It involved the study of consumer as an individual. The scientific field of psychology delved deep into the consumer mind in relation to the society around him to understand the psychology of human mind. The study found that every individual consumer has a complex set of deep-seated motives which drive him towards specific buying behaviour and socially acceptable decisions.
- 2. **Sociology:** It studied the influences of society on the individual—by close family groups as well as by the social order and the social classes he represents. Sociology believes that an individual will have a large number of formal and informal relationships in his life time, interacting and getting influenced by the persons, groups and the classes he comes in contact with. This interactions can operate at two levels; the individual concerned gets influenced and, at the same time, he must be influencing somebody else's behaviour and buying decisions.
- Cultural Anthropology: It studied the individual in relation to the influences of culture and society he belonged to. Cultural anthropology sees the individual behaviour as an outcome of the cultural influences wielded on him by society over many generations and modified by the successive developments in society in its historical journey.
- 4. **Economics:** The study of human behaviour in this discipline is based on the understanding that the economic behaviour is a fundamental component of human nature. The propagators of this thought process believed that all human beings by nature behave economically. That is, all human beings have a vested interest of expecting a greater utility return on their scarce resources. These resources are time, effort and money.

Marketing research was basically done to provide an insight and information to the marketing manager on the visible behavioural aspects of the consumer, in order to understand what factors and what promotional efforts had influenced the consumer. The statistical analysis was done on the purchase pattern of the consumer, assuming the decisions had been arrived at by the consumers after having been influenced by the external stimulating factors. But this kind of study did not get an opportunity nor did it have an interest to look deep into the psychological aspects of a consumer's buying decision. The economic factors were always the prime concern for the market researchers and, accordingly, they always presumed that the consumer decision will also be affected by economic factors. Hence, the calculation of the return of value gained for the time, effort and money spent was always the prime motive credited for the buying decision of a customer.

The history of consumer research this way is directly linked to the development of marketing thought by the practitioner marketers. The dependence of marketing on economics makes marketing

look at the consumer as the calculative individual; hence, the marketers have always looked at the consumer as an economic unit. They also looked at his buying decisions as the process of his economic behaviour.

THE CLASSICAL THOUGHT

The classical practitioners of marketing always looked at the transactions of the consumer divided into three basic classifications of the goods, viz. necessity, shopping and convenience goods and hence attributed all consumers' actions to the three different segments of the products. They believed that the consumer is likely to spend less time and effort on necessities and conveniences. He will spend more time, effort and thus money on shopping products and will expect better value return, which was considered to be the major factor behind the decision-making. Such school of thought is known as *classical thought (Bartel 1962)*.

The classical thought of marketing is based on the commoditization and differentiation of the products' functional aspects of marketing that focused on the activities inherent in marketing to reach the goods and products to consumers, and on the agents involved in marketing dealings. These classical thoughts always relied upon the economical aspects for their answer to the consumer's behaviour in the marketplace. They based their research into consumer behaviour on aspects such as consumption behaviour, retail backing and household budgets and retail patronage, to study and analyse as to how the consumer of the times reacted to different variables offered by the economic and marketing systems available to them. During this era, research systems like case studies, market research, and the use of census data (because the marketer had to analyse the purchase data) contributed significantly towards consumer behaviour. The study of the consumer's behavioural aspect during this period remained restricted to descriptive and peripheral activities of the consumer and the markets rather than inquisitive, which could throw light on the cerebral aspects of a consumer's decision-making.

MANAGERIAL SCHOOL OF THOUGHT

The managerial school of thought relied on social sciences to define and explain consumer behaviour. This school also borrowed from managerial economics, with an emphasis on controlling the behaviour of the market. It relied on most recent concepts of managerial economics, and moved away from the micro economics of demand theory. It borrowed heavily from the theory of the firm. The school of managerial thought looked at the consumer as a social unit. The development of marketing thoughts during this period brought in the theories of four Ps of marketing. The thinkers of this school of thought developed the following important concepts of marketing, leading to important breakthroughs in consumer behaviour

- Concept of product differentiations
- ▲ Concept of monopolistic competition
- Diffusion of innovation

The consumer was studied as an individual during this period. The marketers focused on his brand loyalty, his demographic status and his reaction to outside influences. They studied the

opinion makers who influenced the consumer in taking the buying decisions. Thus, the consumer as an individual and also as a social member of the demographic strata he belonged to had become an important component of studying consumer behaviour.



Sources': Adapted from, Jagdish N Seth, History of Consumer Behavior : A Marketing Perspective, University of Southern California; and "Historical Method in Consumer Research: Developing Causal Explanations of Change," Ruth Ann Smith and David S. Lux, The Journal of Consumer Research, Vol. 19, No. 4 (Mar. 1993), pp. 595-610, The University of Chicago Press, URL: http://www.jstor.org/stable/2489443

FIGURE 1.4 Marketing and Consumer Behaviour – A Historical Aspect

BEHAVIOURAL SCHOOL OF THOUGHT

However, the behavioural aspect of the consumer that actually acted on him in his decision-making had still not been explored to assess the psychological aspect and impact of external influences on the consumer behaviour. It was necessary to make the individual consumer the focal point in order to understand and study his behaviour. This focus on the consumer as an individual eventually made it clear to marketing thinkers that behavioural sciences, rather than social sciences, will have to be explored by the behavioural researchers to understand a consumer in his individuality. This brought into the picture behavioural researchers from the science of psychology, and its branches viz., clinical psychology, organizational psychology, and social psychology, to study the consumer behaviour now in a way to help the marketers understand the enigma of consumer behaviour. At this stage, diverse branches of psychology started exploring into the different behavioural aspects of the consumer. Organizational psychology focused on the psychology of power and conflict and clinical psychology focused on the intangible yet nonfunctional values of products and services. Similarly, social psychology focused on the cognitive consistency as the driver of human behaviour. The psychology of consumer behaviour brought to the fore the perception built-up of the consumer. It researched into consumer behaviour and came to the conclusion that the perception of the consumer affected his decision-making. The actual reality could be altered in the mind

by building up a cognitive perception. It acted as a catalyst in creating the perception through cognitive behaviour of the consumer. It had become clear by now that the consumers made use of psychology and not logic and reasoning while making their purchase decisions. This behavioural school of understanding delved into the consumer psyche further by exploring the realms of attitude and motivational researches into the consumer buying behaviour. This behavioural study paved the way for understanding parallel consumer behaviour in relation to many external influences simultaneously. Consumer behaviour will thus be studied from two different angles, viz. one from the marketers and the other from behavioural scientists.

PROCESS OF CONSUMER RESEARCH

The marketer has always tried to keep track of the consumer and his changing behaviour in order to be aware of his needs. He then makes very honest efforts to match or produce products to satisfy these needs. In addition to the decision on products, the other elements of marketing mix are also the result of the research conducted by the marketer on consumer behaviour. It is through the study of consumer behaviour that a marketer takes decisions regarding:

- ▲ Products and their capability to meet consumer needs
- ▲ Price band for his products and services
- Place convenient for him
- ▲ Promotion of products

We have studied the kind of questions to which the marketer seeks answers. These questions may vary from understanding the consumer perception to the study of the market potentials by different study projects undertaken by the marketers. The process of market behaviour involves a complete process of empirical research. In this segment, we will try to understand how a marketer carries out the actual consumer research to undertake an analytical study of consumer behaviour.

The need for a thorough consumer research becomes apparent when we look at the case of Kellogg's. When the American manufacturer of cereal breakfast failed to make much of an impact in Japan, it became obvious that the manufacturer had not conducted enough research on the consumer's eating habits. Or, even if it did conduct research, it had failed to take into consideration the traditional eating habits of the Japanese consumers while conducting primary research into the country. In India too, eating habits of consumers are not what Kellogg's expects them to be. Lack of knowledge of Indian consumers' likes and dislikes at the breakfast table have not yielded much result for Kellogg's, even after having tried multiple variations of taste mixes for its corn flakes, for many years now.

Another example of not understanding consumer behaviour is the failure of Proctor and Gamble to understand the use of diapers by Japanese women. In spite of advertising heavily for its ladies diapers in Japanese market, the multinational giant lost out to a local manufacturer who had encashed on Japanese women's need for frequent change of diapers and limited storage space by introducing thinner diapers.

Sources: David Ricks, Big Business Blunders, Dow Jones, 1983 and Alecia Sway, Soap Opera, The Inside Story of Proctor and Gamble, Times Books, 1993.

The marketing research process of consumer behaviour is not different from any other research related to marketing problems. In consumer behaviour research, the marketer, however, tries to find out which brands are consumers' favourite and why. The consumer behaviour research tries

to understand their needs, aspirations and desires. Information about customers remains the most critical factor in the research process. However, it is not so easy to conduct this research at the ground level even if a firm has an in-house marketing information system in place. This information system may act as an additional tool, but the firm will have to employ an altogether different process of marketing research to address the problems pertaining to the research. It will require systematic gathering, collection and analyses of data. A firm can do so itself through the in-house marketing information system. If it is not possible, then an outside agency specializing in consumer marketing research will have to be assigned the task of conducting the necessary process on behalf of the organization in various markets earmarked for the research project. The steps (Figure 1.5) that the research follows are as follows:

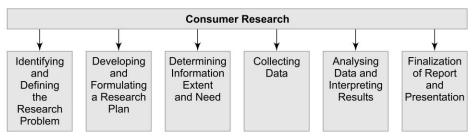


FIGURE 1.5 Steps Involved In Consumer Research

Identifying and Defining the Research Problem

Consumer marketing research, like any other research, starts off by identifying the actual problems to be addressed in the entire process. For example, the problem could relate to (a) the sales drop in some products in a particular area or (b) it could be an honest effort by the manufacturer to understand as to why certain sections of the consumers have stopped buying the product of the manufacturer. Once the marketer has identified the problem, he has to clearly define it so that it becomes easy to reach a consensus on the objective of the research. Since it may involve resources and personnel on a very large scale, the researcher will have to evolve a system that could differentiate the symptoms from the actual problem. Just as in the human body a doctor has to diagnose the root cause of fever because fever may not be the actual disease, the market researcher should isolate and identify the root cause from the actual problem. Many a time, it has been observed in marketing that the visible problem is different from the actual problem. While the marketer may feel that his competitor's lowering the price has taken away his sales, the actual reason could be altogether different. The customers' taste, buying habit, expectation and acceptance of new technology could be the reasons for the sales drop of all manufacturers, which means even the competitor may be suffering from similar sales decline. It is possible that the competitor has also dropped his prices in the market due to similar reasons.

1. Exploratory research: For this, the market researcher may have to get into exploratory research that can provide the relevant dimensions of the actual problem. It may also suggest information and tools that may be required to solve this problem. For example, while conducting an exploratory research into the sales drop of large sedan cars in a particular market, the researcher concluded that it was not due to any defect in the sedan car problem, but due to non-availability of enough parking

spaces in people's houses for such a big car. Exploratory research may, many a time, present another problem to be identified and investigated.

2. Descriptive research: It is used to describe a situation and get the hypothesis proposed by exploratory research. Descriptive research makes use of observational and statistical techniques to not only generate quantifiable data but also to establish in detail the problem situation.

3. Causative research: Such a research is undertaken to establish the cause and effect relationship between independent and dependent variables. Here, the research examines how a change introduced in one variable can or will impact the other variable(s) or the overall plan. For example, how Maruti's offer of attaching free incentives to their car price, in terms of a free insurance policy or free air ticket for a trip abroad, etc. will affect Maruti's sales in all its segments . Such an analysis and research for demand projection is causative research.

Developing and Formulating a Research Plan

Before starting the actual process of consumer research, the research team will have to work out a blueprint for the research that will identify the budgetary provisions, requirements, information sources and their cost to the organization in terms of preparing data collection instruments, reaching those instruments to the protagonists, survey methods and personnel involvement and analysis systems to be adopted, etc. The time period for each activity will have to be spelt out to derive maximum benefits for the costs involved. Thus, while formulating a research plan, the firm must have answers to the following questions:

- 1. How can the firm benefit in value (rupee terms) by collecting this information and interpretation?
- 2. How much will this information cost in terms of rupees?
- 3. How much will it cost the organization in rupee terms in the long run if this data is not collected?

Determining Information Extent and Need

After defining the research problem, the next step is to determine how much information would suffice to get some conclusive proof about the consumer to solve the problem the firm has at hand. The cost of consumer research being quite high, because lots of primary data will have to be collected by way of direct surveys, the extent of information gathered must remain within the predetermined limits of time, universe and geographical boundaries. For example, while conducting research on its consumers' base, a major midsize car manufacturing company will have to determine whether it needs to survey the entire population of the country in which the research project is on or will it suffice to conduct a survey in one particular region. It will have to specify again whether all population members of the region will be covered or only people falling within certain age groups, income categories and professions will be the target universe. The researcher will have to devise a conscious strategy that ensures that self-reference criteria are not allowed to colour the research process or the findings. It has been often observed that self-culture, values, customs, norms and behaviour of the researcher get reflected in the researcher's observation and these eventually creep into the final analysis also.

Collecting Data

Once the extent and need of the research problem to be conducted among the firm's consumers has been determined, after identification and definition, the research team will be in a position to pinpoint the source of information from which the necessary data can be collected. Usually, the first step is to look for the data within the firm's own network of information, which could be the firm's own offices, sales team and associates. This is known as *internal secondary data*. In order to widen its field of knowledge for better analyses of the problem, the firm will still have to look at the data collected by other agencies. This data is called *external secondary data*. The firm's objective and problem get better defined and identified after the market research team has analysed the secondary data. This data will clearly indicate whether further research on consumers is required and primary data should be collected through personal interviews and surveys, which amount to primary research.

Secondary Data

Secondary data is the data that has been collected by someone else for a similar or dissimilar situation or problem at an earlier time. In fact, today, knowledge banks all over the world, whether on the Internet or within the confines of government libraries, databanks, online professional, and user-provided keyword access agencies, commerce and trade-related development agencies, etc. are full of secondary data. However, whether the data available is relevant to the current research problem will have to be decided by the research firm.

Following are the sources of secondary data:

Commercial data providing organizations: In the developing and emerging economies of the world, knowledge management has become the keyword and most commercial organizations, embassies, trade representatives, chambers of commerce, ministries of industry and trade, etc. provide vast sources of data. In the emerging economies, however, this data may not be classified properly and the verification of accuracy may call for another litmus test for the international marketing research.

Websites and the Internet: In the developed countries, however, comprehensive data are available. For example, in the United States, the National Trade Data Bank, maintained by the U.S. Department of Commerce, offers a wealth of data on their website, http://www.stat-usa-gov concerning export opportunities, marketing guidelines, etc. Similarly, organizations like the United States Department of Commerce can help researchers by providing country-specific reports. Japan and many other countries like the United Kingdom, France and Germany, too, have a vast source of data collected through research conducted by agencies deployed by their governments.

Books and periodicals: Many publications, magazines and journals related to industry, trade and commerce also carry out their own surveys in countries across the world, and a wealth of knowledge can be accessed through these publications.

Government agencies: Agencies like the chambers of commerce, director general of trade and commerce, ministries of industries and commerce, the World Bank, the Organization for Economic Cooperation and Development (OECD), the International Monetary Fund (IMF) and many arms of the United Nations actively gather information on economic, social and demographical development in their member countries. Published reports for the last many years are available from these agencies. Trends can be ascertained on international economic, social and political situations anywhere in the world by studying these reports.

Internal Secondary Data/External Secondary Data

Secondary data can be further classified into two categories. The data available from (within) the firm's own sources is known as *internal secondary data* and when the researcher has to tap the sources outside the firm, whether on the Internet, in public libraries, in magazines, journals, or from marketing research agencies, it is known as *external secondary data*. Internal secondary data may not relate to the same problem but, many times, the data that has been collected by another unit of the firm can be used to solve a similar problem. For example, a washing machine manufacturer had originally conducted a survey for washing machine consumers or prospects on the demographical set-up and income and living patterns to understand the purchasing capacity and spending habits. When the same firm introduced refrigerators a few years later, it did not have to conduct a fresh survey because not much was likely to have changed in the respondents' living standards a couple of years later. However, validation of secondary data is absolutely essential, even if it is used by the same firm for the second time.

Challenges to Management of Secondary Data

A firm may not be able to find comprehensive secondary data to get all the necessary information. In fact, many published reports are written by people who simply compile demographic and other details for commercial and economic profits. Their presentation and cataloguing will require more work by the research team, which has to isolate and pinpoint the required information from unnecessary data. This may lead to uncalled-for expense and time for sifting the exact information. The data collected presents the following shortcomings to the international marketing researchers:

Accuracy and reliability: The market research team may not be in a position to reach confident decisions unless it is sure of the accuracy of the data it has collected. The accuracy and reliability depends upon the seriousness of the agency that had collected this secondary data. In fact, the data collected directly by the government agencies and by the agencies funded by the governments should be carefully examined, making allowance for willful, deliberate manipulations and unintentional errors.

Comparability of secondary data: Each company may adopt different methodologies to collect and tabulate data in the absence of any standardized yardstick. It is quite difficult to compare the data collected by different firms. The nomenclature and terminology may differ from firm to firm. The cultural influences, the different uses to which products can be put and the expectations, desires and dreams of each market make it difficult to make comparisons among various surveys conducted and utilize the secondary data collected.

Validation of secondary data: Looking into the vast difference in three research studies undertaken by different identities, it is essential to scrutinize secondary data before interpretation because otherwise the entire time, cost and effort spent will be wasted. Marketing researchers will have to validate the data through the following checklist:

- 1. What was the original problem/objective for which this data was collected?
- 2. What were the methods used/yardsticks fixed for collecting and collating this data?
- 3. Did this data form part of the actual research conducted or is it merely based on survey reports to support a decision already taken?
- 4. The environmental, economic, political and fiscal conditions prevailing when this data was collected.

- 5. Is it internal data or did an external agency conduct it?
- 6. Was any other agency or entity affected by the information contained in the data?
- 7. How do the data and findings compare with the earlier studies conducted on the basis of natural yardsticks of change? What results can be expected now? What and how much is the variation?

Primary Data

Firms do not get into research so easily, unless they find enough secondary data to reach conclusive solution to the problem. Primary data collection exercise is costly, time-consuming and may not always prove cost-effective. But, whenever and wherever firms get into direct marketing research, they have to collect primary data for a specific consumer problem, to be analysed directly by the researcher team, which can then use the findings to address the problem at hand. Thus, primary data pertains to "collecting information for the first time for a specific project". Since such information is being collected for the first time, a cost benefit analysis must be undertaken simultaneously, and after the researcher is convinced of long-term benefits accruing to the firm, the approach to be adopted for primary data collection can be finalized.

Primary Research Approaches

A marketing research firm may either use qualitative research at the primary level or even a quantitative approach can be undertaken to gather data for the research on consumers. Survey research through a questionnaire sent by e-mail, personal interview, telephonic interview or electronic surveillance is conducted by the firm to understand field data and get the consumer response. For example, analysing market shares, estimating sales potential, finding impact of marketing and advertising strategies, etc. is done through primary research.

Similarly, personal interviews with individual consumers and focus group of consumers are some of the tools that firms use to collect primary qualitative information.

Qualitative research on consumers: Some of the approaches adopted by marketing researchers to collect primary data to undertake qualitative consumer research are discussed here.

Focus groups: Large-scale' quantitative data involves getting into the research at the field level, spending huge sums of money, time and effort. Many firms prefer to conduct exploratory research with select groups by way of joint interviews, depth interviews and observational enquiry.

In the focus group interview method, the interviewer or the moderator conducts loosely structured free flowing open discussion about the problem with a small group of 10-12 people.

Focus group interviews can bring forth opinions of the target audience on both qualitative and quantitative objectives. Such groups can be forerunners for the later quantitative and in-depth research to be conducted on a larger scale. Such groups can also be exhorted to voice their thoughts, perceptions and suggestions on product performances and future changes and expectations from the products under research.

The members of the group are recruited from predetermined sub-segments of the universe under research, on the basis of the common characteristics decided by the researcher. These could be either from certain geographic region, ethnic background, age factor, income congruity, social similarities, educational and cultural bonding, or ownership of certain products and consumers of services and so on.

Electronic surveillance units can be placed in the adjoining room to observe the visible and not visible behaviour patterns to draw conclusions.

Consumer Behaviour: An Introduction

Focus group interviews need well-trained moderators, who are familiar with the local language, cultural sensitivity and social norms for addressing mixed groups of people. The interviewers interviewing groups from among different cultures must understand the very fabric of social and cultural affinity towards individualism, groupism or collectivism. Even the status conscious behaviour of social groups can affect the response of a subject in a group activity and the moderator must be in a position to elicit the true response from the audience and extract the correct meaning and results. For example, people who are outgoing and extrovert can frankly express their pleasure or displeasure on any issue without any reservations, whereas people from the conservative societies refrain from being so open and free. They will be quite hesitant to share their true thoughts. Similarly, it is difficult in *purdah-dominated* societies to obtain any kind of response from the female respondents, unless the moderator happens to be a woman familiar with their culture.

In-depth interview: Researchers organize personal, one-on-one, and private interviews with the consumers with the sole objective of exploring and discovering consumer attitudes, motives, likes and dislikes more closely. Such an interview is generally handled through unstructured questionnaires. To help the interviewee not feel any kind of pressure, the interview is generally held in a cordial atmosphere. In-depth interviews present challenges similar to those discussed in group interviews. Cultural habits of shying away from strangers, unknown men not being allowed inside the house to meet women and holding back true feelings pose greater challenges in this kind of research.

Projective techniques: A consumer research cannot be fully complete unless the techniques adopted by the psychologists are included into it. These techniques are adopted to evoke the hidden responses of the consumers. These responses may relate to hidden thoughts, feelings, perceptions, attitudes, motivations and affiliations. These techniques are as follows.

Word association: Series of words, phrases and objects are spoken to the consumer respondents. The respondents are then asked to speak out the first word/thought that comes to their mind. For example, the respondents may be asked the words as given below:

Tea Cold drink Television Washing machine Car _____

When the respondents complete the sentences or give out the words from their mind, their affiliations can be found out by the researcher.

Sentence completion: The respondents are given half the sentence to read and asked to complete the rest of the sentence. The technique is used to draw out the respondents' thoughts, likes or dislikes or even preferences about the products or services.

Thematic appreciation test: Some untitled or ambiguous pictures are given to the respondents and they are asked to interpret the stories from the pictures. The pictures may relate to some situations, stories, and happenings. The respondents' response is then analysed to know about their thought process, perception and imaginations.

Role playing: Respondents are asked to think as if they are different persons and then asked to play the role of the person they have been assumed to be. Their thoughts, actions and words spoken are then analysed to know about their own personality.

Quantitative research on consumers: Primary data on and about consumers in quantitative research can be collected through the following methods:

Experimentation: Though it is generally associated with the laboratories experiments are conducted in marketing too. It may be conducted by bringing about some change in one variable to check and evaluate the effect of manipulation on the other. For example, we have mentioned earlier in the chapter that Maruti Motors can check the effect on its sales figures in India, by offering different discounts in different markets.

Observation: The behaviour of the consumers can be researched into by way of observing them under different conditions. The observation can be arranged in different stores, shopping malls, restaurants or markets or even at their homes through electronic surveillance devices. The observation of the consumers may take place in the following manner:

Secret observation: The respondents being observed are not aware of their being under surveillance. They do not interact with the observers too.

Non-participating observation: the respondents under observation are aware of being observed and being under surveillance, but they do not interact with the observers.

Participative observation: Both the respondents and the observers interact with each other on the issue of research.

Field surveys: Field survey research can be conducted by way of *personal* interview, telephonic, postal or e-mail questionnaires. Such a survey is based on the assumption that the respondents are literate enough to understand the questions posed and will respond. Sometimes, such questionnaires or telephonic interviews are accompanied by incentives in order to tempt the respondents to answer each question. Such methods can be used extensively for larger surveys and can be taken across different frontiers, cultures and countries for effective comparisons.

Designing a questionnaire A questionnaire is the prerequisite to gather primary data whether in person, by mail or over the telephone. However, it poses a big challenge to the marketer to design a questionnaire that could spell out the correct meaning of the question asked across consumers from different cultures, countries and personalities. The questionnaire has to elicit the required response from people on whom survey is being carried out. Measurement issues related to survey, too, need to be addressed in the beginning itself. The market research team will have to predetermine the measurement equivalence, otherwise the results will not be rendered in the true meaning in which the answers to questions were provided by the respondents.

Translating questionnaire: At times the questionnaire prepared by the market research team will be in the language not known to the respondents. For example, in a cross-country survey, translation may be required into many languages other than the home country language. Even within the same country, the language and dialect may change like it does in India, where the dialect and pronunciation change every 100 kilometers. Careful translation will save the researcher from many embarrassments later.

Back translation and parallel translation: Back translation is a two-way method in which the translator from the language other than the master questionnaire language will translate it into his

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language and then, from the translated version, back into the original language. For example, an English version of the document will be translated by a person who knows Hindi for research in India and then a person who is fluent in English and Hindi will translate it back into English. This process is continued till the original version is matched word to word, ironing out any lacunae in translation.

In the translation, many multi-lingual persons are used till the exact version is arrived at, which is then vetted by experts for use in the field.

Ensuring scalar equivalence: A marketer must be aware of the approach different cultures will take to the questions posed. A questionnaire designed to get simple, one-word answers will not help to completely get to the actual response.

Similarly, when using scalar questions, a clear set of instructions needs to be appended to the questionnaire to avoid any kind of confusion. The respondents may not like to answer all the questions if they are asked for their opinion on simple scale with opposite words like good, bad, worst or best. However, if a few more details are added to the questionnaire, explaining the real meaning of the question asked, it would become easy for the respondent to respond correctly. Again, in markets where literacy rates are still very low as compared to developed countries, the questions should not be open-ended. Lengthy questionnaires should also be avoided. In fact, specially designed visual scales, which can, for example, show happiness or displeasure, can be used as given below.

FACES SCALE (VISUAL RESEARCH QUESTIONNAIRE)

Very happy ③ Happy ③ Not happy nor unhappy Unhappy 🛞 Very unhappy 🛞

Source: C.K.Corder, "Problems And Pitfalls In Conducting Marketing Research In Africa", in Betsy Gelb Ed., Marketing Expansion in A Shrinking World, Proceedings of American Marketing Association Business Conference. (Chicago AMA1978), pp. 86–90

A pretest of the questionnaire, on a smaller scale, will help the researchers avoid pitfalls of blunders.

Sampling: It is very difficult for the marketing research to conduct a research that covers the entire population. Hence, researchers have to draw a sample from a target audience. This drawing of sample or a sub-section from the main population is called *sampling*. The sample so drawn will be a true representative of the entire population in the absolute sense.

Three main issues concerning sampling will have to be decided before starting sampling research.

- 1. Unit of sample: Who will the researchers conduct the survey on out of the target population?
- 2. Size of sample: What shall be the size of the sample, i.e. how many respondent consumers will be included in the sample to be covered?
- 3. Procedure of selecting sample: What procedure will be followed to select a sample of the consumers to be surveyed?

Probability sampling and non-probability sampling: The two basic sampling procedures adopted by researchers are known as probability sampling and non-probability sampling. In the former, each group or sub-section of the consumers who need to be surveyed is given an equal and fair chance

to be included in the sample selected for the survey through random sampling procedures. In nonprobability sampling, however, convenience and judgment of the researcher make it unknown to the units of universe/consumers to be surveyed, if they will be selected.

Availability of manpower, requisite budget and mechanical and electronics means to cover the sample units will become the major deciding factors for the selection of samples to be included in the research plan.

Sampling will also depend on the extent of survey the research team wants to carry out. If it is a multi-market research, the team may not go all out for covering each market. Rather, a cluster of consumers can be put into one group and the team can fix one or two select markets, which are homogenized demographically, socially and culturally, and make comparative studies later.

Challenges to sampling: Sampling presents many challenges to the market researcher team when it takes to the field survey.

- ▲ Lack of basic data: The first challenge is the lack of basic data for approaching its universe. A basic demographic data, containing lists of people and citizens of a country, residents of select towns, updated telephone directory, address books and mailing lists are not available in a majority of underdeveloped and yet to develop states and countries. Social, economical, cultural and financial data is not maintained in many states/countries by the authorities. Excepting modern, developed towns, where streets and houses have well-defined numbers, old towns in India do not carry any city maps, street or house numbers. Postal mails are sent by approximated addresses in villages too.
- Lack of adequate and updated records of census, age break-ups, income divisions, earnings and educational standards make sampling an extremely difficult task.
- Lack of basic infrastructure: Such as telephones, postal efficiency and transportation make sampling a daunting experience for the research team.

Thus, preparing a sampling plan in a multi-market research is a very tough and daunting task for any research team and requires flexibility in making adjustments as the local cultures, living habits and the localized conditions demand in order to make the best out of the data and sample support available.

Contacting respondents: Once the sampling procedure has been finalized, the surveying team has to decide on the vehicle required for contacting the respondent consumers for the research. The respondent consumers selected can be contacted on telephone, through the postal service and in person and the survey can also be organized through the Internet. However, all these methods can change from firm to firm and no single method will suffice for all companies. The survey team may have to utilize multiple methods to make sure they reach the required quantity of sample universe to get authentic results.

Due to non-availability and inadequate infrastructure in rural and remote areas, telephonic contact is limited in many situations. At the same time, local cultural habits in the use of telephone act as a restrictive force in getting the survey completed. In many conservative societies, telephone cannot be used during the day because the ladies of the house may not attend to a call from a stranger. In modern towns like Delhi, Bengaluru and Mumbai, again, the telephone may not be of much use during the day if both husband and wife go out to work. Culturally too, many people do not open up on telephones to strangers. Many people will refuse to give details to a voice on the other side if they do not know the person fully. In big companies too, executives and managers are reluctant to talk and discuss business matters on the telephone and prefer a face-to-face discussion.

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Cost efficiency of the method and means deployed for data collection play a major part in consumer marketing surveys. In many markets, the lack of basic infrastructure, such as transportation, communication, postal network and the Internet, makes many a proposal of survey prohibitively expensive, urging the surveying teams to adopt shortcuts to complete the research and making the survey redundant in such circumstances.

Contacting consumers through Internet: The Internet today is growing rapidly in almost all parts of the world. It is available to almost 600 to 700 million users across 200 countries of the world, out of which two-thirds users are situated in the United States. In many markets, researchers have used the Internet to find out about the opinion of unknown respondents by conducting opinion surveys, e-mail surveys and panel website surveys. In e-mail surveys, e-mails are sent to unknown addresses with questionnaires, which are to be filled up by the respondents and returned. The challenge here lies in exhorting the addressee to reply to the questionnaire because, usually, millions of e-mails end-up as Spam and junk mails. In order to avoid this, the surveyor generally attaches another incentive like the offer of an electronics game or a free CD, etc. to the questionnaire.

Website surveys These are undertaken when a website receives hits from unknown visitors. The site navigates the hits to a questionnaire about their identification and also other relevant details required by the surveyor and then lead to the survey page on the website. Only after answering the survey questions, is the visitor allowed access to the information in the website.

Many surveyors approach the respondent consumers through a pop-up, which appears as an advertisement snapshot while the respondent is navigating through the website. However, some browsers can block these pop-ups.

Panel website surveys are undertaken when the website has its own select group of people as a sample universe, which has been recruited on the basis of an eligibility criteria fixed by either the website or by the requirement given by the surveyor. Such members of the panel receive the questionnaires by e-mail. And, for each questionnaire that they respond to, the members get paid in kind or cash. Consumers' survey panels have been established all over the world.

Challenges to consumers' research on the Internet: Not all samples of consumers selected by the research team are connected to the Internet and are, therefore, limiting in its very nature the qualitative representation of the universe. The survey team will not have the first-hand knowledge of the sample members that the questionnaires are addressed to. The Internet penetration is still in its infancy in many smaller towns and rural areas. With lack of databases in these areas, the research team has to take the help of regular mails to access the identified respondents. Internet access and free availability of servers poses another hazard to such surveys.

Thus, to realize the full value of the amount spent, the research team has to rely on a multi-model approach for reaching out to their universe and adopt the system and methods in a multi-mix for an ideal survey.

Collecting Data and Interpreting Results

Collecting data and interpreting results is the final stage of consumer marketing research, as the teams, having understood the requirements and necessary inter-culture adjustments of a multimarket consumer research project, are now ready to gather the primary data. It will though cost a lot of time, money and effort to the firm to undertake such a massive activity.

At this stage too, research teams will face, and may have to overcome many hurdles, as getting answers from first-time respondents and non-responsive respondents will take plenty of cajoling and inspirational tricks on the surveyors' part to get the necessary attention from people.

The recruitment and training of field surveyors is also a daunting task. The research team will have to ensure that the field staff itself has understood the spirit of each question and keeps the answers free from personal bias. It becomes all the more difficult if the field surveyors are not familiar with the local culture and language. The necessary courtesy, as required and dictated by the local culture, will definitely get the surveyor access to the inner circles and will help in completing the assignment.

The qualitative aspect of fieldwork should not be sacrificed for the sake of quantitative completion of targets assigned to the field staff. A lowly paid field staff may not actually undertake the entire survey and will get into short cuts to fill up the questionnaires. Such allowances will have to be looked into by the international marketing manager before analysing the data collected.

A proper pre-recruitment background of having conducted such surveys, further training about the special needs of the current project and adequate supervision of the field staff will keep the survey free from interview-related bias and cultural misunderstandings.

Finalization of Report and Presentation

The report basically serves the following four purposes :

- 1. It organizes data and presents the findings in a readable form.
- 2. It is also an index to the research carried and its accuracy.
- 3. It also determines the course of action to be adopted for future.
- 4. It paves the way for decision-making

The report on consumer research can be presented in the following forms for analyses:

- 1. Basic reports: as is used by the data collectors
- 2. Report for publication: for trade publication and journals, on line journals
- Technical reports: generally meant for technical experts 3
- 4. Report for executives: meant for decision makers will be presented in management information bulletin for business executives for a quick appraisal

SIGNIFICANCE OF UNDERSTANDING CONSUMER BEHAVIOR IN MARKETING

Consumer behaviour in marketing is the backbone of all marketing activities. Any marketingoriented firm cannot proceed further unless it really knows and understands as to what the consumer wants. Phillip Kotler has defined marketing as "the process of maximizing profits through consumer satisfaction". The whole process of marketing is directed towards understanding of the consumer need, matching the product to satisfy this need, and then making the consumer aware of the product being available to meet his need. But the relationship between the consumer and the marketing does not end here. Marketing has to motivate the consumer to buy the product and give back his opinion, preferences and perceptions about the product, brand and the corporate manufacturing the product. The significance of consumer behaviour and its utility can be understood and evaluated from the following application of the consumer behaviour studies.

Analysing Business and Marketing Potentials

Products and services are purchased and used by consumers only. Consumers can be individual consumers or industrial consumers. The study of consumer behaviour will be all inclusive of purchase patterns, usage and disposals of the products and services, satisfaction levels, and the likelihood of repeat purchases. The consumer study will also include aspects such as taste of the consumers, their likes and dislikes, fashions prevailing, lifestyles, income and other demographics, opinion makers, influencers, decision makers and satisfaction providing factors. All these factors, when combined and analysed, will ably depict the market potential and business opportunities to the manufacturers of products and services.

Identifying the Target Markets and Segments

The study of consumer behaviour will help the marketer understand his consumers and their needs. It will help him to analyse their preferences, perceptions, purchase patterns, consumption trends, attitudes towards different products and expectations. The marketer can then match the data so collected about his consumers with his resources, capabilities and capacities. He can then take decisions about the markets and the market segments he would like to serve and evolve strategies to serve these markets. The segmentation or standardization of the market then will evolve out of the data collected for the targeted consumers. The segmentation will then be based on the actual consumer and his need, and not imaginary figures of just the market potential.

Decisions Related to Marketing Mix

The ultimate end consumers and their unique characteristics can be identified by the marketing research conducted by the marketer. This provides him a complete picture of the consumer, his identified and unidentified needs, his buying habits, his income levels, his other demographic characteristics, his dreams, aspirations, expectations, desires and satisfaction levels. Having equipped himself with the knowledge about the focus customers, the marketer can now plan and strategize his marketing mix. The four elements of marketing mix, viz. product, price, place and promotion have been discussed in the following sections.

Product

A product could mean different things to different marketing organizations. An organization with the seller's attitude would look at the product as the ultimate manifestation of the resources used to produce a product, which a consumer will buy.

An organization, who keeps consumer first, would look at it as "a bundle of benefits, meant to satisfy the customer's wants. They would look at the product from the potential customer's point of view. A product for them becomes "the bundle of physical, tangible and intangible attributes that must have the power to satisfy the present and potential, the visible and not to visible wants".

Similarly, consumers, too, could look at the products differently at various times depending on what need they want to satisfy from the product. The 'car' for them becomes the means of travel and a status symbol at different times. A refrigerator becomes the cooling machine and the food storage cupboard at the same time; a shirt becomes the body cover as well as identification with a film star simultaneously.

Product refers to the tangible goods that the producer will produce to meet the needs and wants of the customer. Product also includes many other features that the consumer looks for in addition to the satisfaction of his needs. These features have often been expressed as value plus additions to the basic product. These value plus features can be described as the augmentations in the manner of the product design, product packaging, product after-sales service offers, product branding, product perception building exercises that the producer undertakes. It becomes easy for the marketer to recommend to the producer the policy and the strategies for providing a product that is closer to the one that can satisfy researched consumers' needs and delight them beyond their satisfaction levels. As a corollary to the research on consumer behaviour, products have been classified by the marketers as industrial products and consumer products.

Industrial products are the products that are sold for use in producing other goods and services. Consumer products can be identified as the products that are used to satisfy the wants and fulfil the needs without any further commercial processing. These are products that are inherent with the utilities the consumer looks for in the product. Consumer products will come along with other product value enhancing elements for the consumer, e.g. guarantee, warranty, installation, aftersales service and other packages, that could act as motivators for inducing the consumer to buy.

The classification by traditionalists divide the products into three categories depending upon the consumers' need intensity and the economic value attached to the product.

- 1. Convenience goods: These goods are purchased by the consumers on pure impulse and include goods which are required for basic survival, involving highly frequent purchase pattern.
- 2. Shopping goods: These are the products for which planning will be required in advance. The price per unit could be comparatively higher for the consumers.
- 3. Specialty products: These products can belong to convenience as well as shopping goods. When a consumer orders a particular designer made dress, it becomes the specialty product. Similarly, a custom made car could be called a specialty item.

The marketer can now look at his strategy of brand positioning too. He can, after studying his consumers' behaviour, determine as to how to differentiate his product from other products. What strategy he should adopt to generate better recall value for the product and finally fix up value plus for all other products for the company. Rasna cold drinks, Nescafe coffee, Maggi noodles are some of the products that have been developed keeping the consumers' convenience of making instant drinks and noodles into account, a habit that the researchers found out while conducting the consumer surveys at various times.

Price

The price of a product is never decided by the marketers arbitrarily. The research into consumer behaviour also reveals to the marketer about the value a consumer attaches to the product, in relation to the urgency of his need fulfillment. It is important that both the consumer and the producer reach an agreement on the price of the product. This agreement can be arrived at only if they both understand each other and work towards mutual value enhancement. The consumer, by providing relevant information about himself during various surveys by the marketer, conveys his value expectations and the need intensity to the marketer. He also inadvertently conveys about his purchase patterns, purchase capacity and the propensity to pay. Based on the information so received and the need classification, the price of the products will be worked out by the producers.

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Price for the consumer is also the experience of the consumer with the product, company and brand image of the company. For example, the marketer will notice that for some consumers, the price is a very sensitive subject while for some others, price becomes irrelevant. For them, it is the perception of the brand they are associated with and they have patronized as their favourite brand which is more important than the price they pay for the product. For example, in the same household, while a *housewife/homemaker* will negotiate with the vegetable vendor for the price of vegetables, the same *housewife/homemaker* does not mind paying higher price for the same vegetables at a Reliance Outlet. She behaves in this manner because, in her mind, Reliance brand is not negotiable. She is also willing to wait for her turn on the cash counter to pay her bills. The perception the consumers have about the product, the brand and the company does play a big role in price determination by the marketers. Price, thus, refers to the willingness and the ability of the consumer to pay for the utilities and satisfactions, the consumer wants from a product or service. The desire to buy may be there, the willingness to pay for the price set will also be there, but unless the consumer parts with a particular amount, it does not become the price. In order to ensure that the sales transaction or the exchange has actually taken place, the price will have to be paid. Since the price factor is always calculated in terms of dollars or rupees value in the modern context, the price would obviously refer to the units paid in terms of currency. This value, in a buyer's point of view, has to be higher than the actual unit of currency paid. For example, if a shirt is bought at $\mathbf{\xi}$ 700 a piece, the value given by shirt (both physical and perceived) must be higher than the units of ₹ 700 paid, in order to derive greater satisfaction.

Research into consumer behaviour by the firm will spell out the kind of competition the firm faces. The competition degree will be the major factor in price fixation. The manufacturer that operates all alone in the market place and does not face much competition will have enough freedom to fix his own price as compared to the producer who is operating in a situation, where the demand and supply and the substitutes thereof play a large role in price fixation. In a situation where too many manufacturers exist and consumers have a wider choice available to them, the only way to keep one's price protected will be to distinguish the product on non-price benefits, e.g. a manufacturer of refrigerators may like to dwell more on faster cooling, better after-sales service, longer warranty, replacement guarantee, etc. to ward off the competition. However, at other times, the price may be the only factor that could attract consumers away from competition.

Place

Consumers buy place. The manufacturing or marketing organization has to sell the product and services to the consumer by making the place available to the consumer as per his convenience and choice. Place refers to where these products are sold, are made accessible and reachable to the consumer. Consumer behaviour research helps the marketing companies deliver goods to consumers more efficiently, at lesser cost and at the place that is most suitable to them. Place refers to a marketing channel which denotes, "such persons or firms who can carry the goods and products from their point of origin to the ultimate consumer, for his purchase or use are known as marketing channels." This includes "the firms, organizations and intermediaries who are willing to take title to the legal ownership of the products, so that they can carry and distribute the same to consumers and users, can be called the marketing channels." Thus, the basic function of the marketing channel will be to provide utility to the product by providing the necessary services to the product till it reaches the final buyer. By undertaking the survey of the consumer, the manufacturer can work

out the strategies to provide essential utilities a consumer wants in the distribution channels of the firm. The consumer usually looks for the following utilities in any distribution channel set up by the firms to reach goods and products to him:

- 1. **Place utility:** It is not physically possible for all soap users to visit the factory of each manufacturer, look at the soap cake and then decide whether he really wants that soap. Nor can the manufacturers visit each and every consumer to display soap.
- 2. **Time utility:** The distribution channels bridge the time gap between the producer and the user by making goods available to the consumers just at the right time.
- 3. **Possession utility:** Possession is created by transfer of the ownership title to the product. The consumer gets the ownership rights to the product at the doorsteps of the marketing channels.

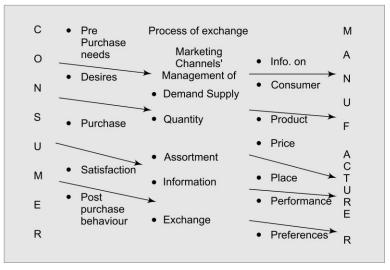


FIGURE 1.6 Process of Exchange and Channel Management and Consumer Behaviour

The firm can, in this manner, study consumer behaviour in respect of his pre-purchase needs, desires, offer him the right fit for satisfying his need and eventually manage his post-purchase behaviour, by ensuring the availability of the channel as per his convenience and choice. The study of consumer behaviour helps a manufacturer in the following ways:

- 1. **Demand and supply correction:** Marketing channels store, concentrate, disperse and distribute the products in such a manner that the equation of demand and supply does not get disturbed if they are provided the right kind of feedback for their consumers and their requirements.
- 2. Correction of quantity discrepancy: Marketing research on consumers provides for the quantity needs of all kinds of consumers all over the world to the marketing channels of the firms. A channel selling refrigerators and air conditioners can arrange the entire load of refrigerators and air conditioners for setting up a five-star hotel. This channel can also ensure a single refrigerator is sold to an independent householder, if the research into the consumers who want to buy these products feeds him the correct information about the consumers.

- 3. **Management of assortment requirements:** Consumer research can help the consumers, shoppers and buyers find all their needs of assorted sizes, shapes, designs, quality, colour and creed.
- 4. Finalize and strategize distribution intensity: The firm can now plan as to how many middlemen should be involved at each level and the intensity of distribution. The firm can plan the extent of exposure that will be required to reach the product to the ultimate customer.

Promotion

Promotion refers to all those activities that a firm will undertake to communicate with the customer about his product, price, place and policies. These are the communication vehicles adopted by the firm to inform the consumers. The promotion strategy of any firm can be strategized only after the firm is able to know about its consumers and their behaviour by way of consumer research. The elements of promotion include personal selling, advertising and sales promotion. A firm will have to understand by way of consumer research. How can it reach its consumers? Which media is used by the consumers? Where do they buy their products from? What are their buying habits? What are their consumption patterns? What are their reading habits? What kinds of channels do they patronize? The firm will have to accordingly form its advertising strategy, selling strategy and promotional strategy after conducting a thorough research on its prospects from time to time.

SUMMARY

- A consumer has (as we mentioned in the beginning of the chapter) always been an enigma to marketers. It is, therefore, important that marketing firms conduct research on consumer behaviour before it takes to marketing its products and services.
- Research into consumer behaviour provides the firm an insight into the consumer mindset about its products and other strategies, e.g. pricing, distribution, and promotion policies.
- The firm can learn about the perception the consumer holds about the competitors' products and services.
- The marketing firm adopts various methods to survey and research on its consumers and their behaviour.
- The firm collects demographic data on consumers by analysing secondary data about the consumers.
- Firms get into primary research if they find secondary data is not sufficient to reach conclusive solution to the problem.
- Primary quantitative research is undertaken by way of experimentation, observation and field surveys.
- Qualitative research involves various projective techniques such as focus group interviews, personal interviews, thematic appreciation tests, in-depth interviews, word associations, sentence completion and role playing.
- The research into consumer behaviour holds special significance in marketing. The marketers can plan their marketing mix and its elements, e.g. product mix, pricing decisions, placement of products and other distribution strategies.
- The decisions on strategizing promotion and other personal selling and advertising activities can be taken in the light of the consumer research undertaken by the marketing firm.

OBJECTIVE TYPE QUESTIONS

- 1. Which of the following are the major objectives of research into consumer behaviour?
 - (a) Consumers' source or sources of information
 - (b) Consumer's perception about the manufacturers
 - (c) Consumer's way of using and consuming the products and services
 - (d) Consumer's sources of buying
 - (e) All of the above
- 2. The study of consumer behaviour is primarily focused on:
 - (a) The consumers who buy the products and services of the marketers
 - (b) Consumer's process of deciding which products or services to buy from a mix of many choices available
 - (c) The places from where the consumers buy the products or services
 - (d) The frequency of consumer's buying and the frequency of usage by consumers
 - (e) All of the above
- 3. The disciplines that had been studying consumer include the following scientific fields:
 - (a) Psychology
 - (b) Sociology
 - (c) Cultural anthropology
 - (d) Economics
 - (e) All of the above
- 4. Point the odd one out in the statement "Secondary data is a data that has been collected by":
 - (a) Someone else for similar or dissimilar situation
 - (b) By research agencies for problem at earlier times
 - (c) For the firm for the problem at hand
 - (d) Government agencies for publication
 - (e) Databanks
- 5. Which of the following will not form part of primary consumer research data?
 - (a) Focus groups
 - (b) In-depth interview
 - (c) Field survey research
 - (d) Questionnaire
 - (e) Pre- published demographic data
- 6. The study of consumer behaviour helps a manufacturer in:
 - (a) Demand and supply correction
 - (b) Correction of quantity discrepancy
 - (c) Management of assortment requirements
 - (d) Finalize and strategize distribution intensity
 - (e) All of the above
- 7. The consumer usually looks for the following utilities in any distribution channel set up by the firms to reach goods and products to him?
 - (a) Place utility
 - (b) Time utility

- (c) Possession utility
- (d) All of the above
- 8. State whether the following statements are True or False:
 - (i) The promotion strategy of any firm can be strategized only after the firm is able to know about its consumers and their behaviour by way of consumer research.
 - (ii) The firm's consumer research objective and problem get better defined and identified after the market researcher has analysed the secondary data.
 - (iii) Primary data pertains to collecting information for first time for a specific project.
 - (iv) Consumer marketing research conducted in different markets and multi-cultural universe poses a major task to cover the entire population, Hence the researcher has to draw a sample from the target audience.
- 9. Fill in the blanks:
 - (a) A _____ is the prerequisite to gather primary data whether in person, by mail, or even by telephone.
 - (b) _____ is a two-way method in which the translator from the country other than the master questionnaire language will translate it into his language and then from the translated version back into the original language.
 - (c) The drawing of sample or a sub section from the main population is called _____
 - (d) ______ is a method by which the interviewer or the moderator conducts loosely structured free flowing open discussion about the problem, with the small group of 10–12 people.

REVIEW QUESTIONS

- 1. Define consumer behaviour. Discuss the steps involved in the process of consumer research.
- 2. What are the quantitative and qualitative techniques adopted by the marketing firm in conducting primary research into consumer behaviour?
- 3. Discuss the significance of consumer research for a marketing firm.
- 4. Discuss the impact of globalization on the Indian consumers and how should a marketing firm operating in the domestic market deal with the changing behaviour of Indian consumers.
- 5. Write short notes on:
 - (a) Challenges to consumers' research on the Internet
 - (b) Historical aspects of consumer research and behaviour
 - (c) Managing consumer research through Internet
 - (d) Relevance of consumer research for a marketing firm

ACTIVITIES

- 1. Visit the local branch office/distributor of any FMCG company in your area, and understand the customer segments of this office/distributor services. Find out how the consumers perceive different competitive products of similar nature.
- 2. You can prepare a questionnaire and undertake a survey of the consumers visiting the local shopping area to understand how globalization has changed their buying habits. Discuss the results and findings in your class.

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Answers to Objective Type Questions							
1. (e)	2. (e)	3. (e)	4. (c)	5. (e)	6. (e)		
7. (d)	8. (i) True, (ii) True, (iii) True, (iv) True						
 9. (a) Questionnaire, (b) Back translation, (c) Sampling, (d) Focus group 							

CASES

CASE 1

Evaluating the Consumers' Preferences for Motor Cycles in Rural India

Rural Marketing Research Company had been assigned the task of finding out the consumer preferences for various brands of motorcycles in rural India on different attributes. The client wanted to find out the consumer's attitude and the reasons for buying the brands. Rural Marketing Research Company had selected 100 farmers by way of random sampling from different locations in northern India and had asked the respondents selected to give their preferences for three brands of motorcycles on the following attributes given to the agency by the client:

- 1. Brand image
- 2. Resale value
- 3. Fuel economy
- 4. Speed
- 5. Load carrying capacity
- 6. Maintenance expense
- 7. After-sales service
- 8. Price

The farmers had been provided with the formats to rate the motorcycles of company A, B and C on 1 to 10 scales and give his preferences by giving more points to the preferred reasons and lesser points to the lesser preferred vehicles. The farmers had come out with the following preferences:

Attributes assigned	Brand A	Brand B	Brand C	Weightage to attributes
Brand image	(8)	7	6	1
Resale value	7	6	7	1
Fuel economy	7	7	9	2
Speed	8	7	7	2
Load carrying capacity	5	5	6	1
Maintenance expense	8	6	7	2
Price	7	8	8	1

The weighted score had been computed and had been compiled by the company by multiplying the scores accorded by the farmers with the weightage accorded to attributes.

Brand A: 8*1 + 7*1 + 7*2 + 8*2 + 5*1 + 8*2 + 7*1 = 68Brand B: 7*1 + 6*1 + 7*2 + 7*2 + 5*1 + 6*2 + 8*1 = 66Brand C: 6*1 + 7*1 + 9*2 + 7*2 + 6*1 + 7*2 + 8*1 = 73

From the above survey carried out, it had become obvious that brand C had scored the highest preference on account of the attributes spelt out by Rural Marketing Research Company, and brand A had scored 68 and brand B had been given 66 points on the attributes and the weightage.

Source: It is a hypothetical case study developed by the author for better understanding of the subject matter.

DISCUSSION QUESTIONS

- 1. What is a questionnaire in primary research? Prepare a questionnaire for the survey of 100 motorcycle owners for similar survey to be conducted in your area.
- 2. Explain the process of random sampling.

ACTIVITY

You can conduct and undertake a similar survey of 100 motorcycle owners in your area to find out the consumer preference of three brands currently popular.

CASE 2

Use of the Marketing Mix in New Product Launch

Objectives of the case study:

To gain insights into the consumer orientation of the company and the use of marketing mix for the launch of a new product

INTRODUCTION

ABC Pharmaceuticals Limited is a leading global healthcare/pharmaceutical company, with a strong emphasis on the herbal and neutraceutical segments. The company, which was established in 2001 and focused on manufacturing and marketing a range of branded generic pharmaceutical formulations, has rapidly evolved and now engages in the manufacture, marketing and distribution of pharmaceutical and allied healthcare products in the neutraceutical and herbal segments internationally. The company's product portfolio includes renowned international brands such as:

- ▲ ABC herbal healthcare products
- ▲ ABC food supplements
- ▲ ABC confectionary
- ▲ ABC pharma OTC

The company—because of its strong presence in the OTC segment of the market through its products like ABC save (a natural line of dietary supplements designed to help reduce hair loss and enhance hair growth in men and women), ABC herbal which provides intensive nourishment for excessively thinning hair, receding hairlines and breakage—now wanted to enter the market of high quality skin and beauty care products and provide services for skin and beauty care needs of its women customers.

Company's Consumer Orientation

The company's goal is to have its products as close as possible to its consumers, regardless of where they live. Its aims are to understand its consumers in its many different markets and delight them with innovative products for their hair, skin and beauty care needs, so that it could make a mark in the beginning itself and later on add on other skin and care products to its line of products. The business of the company had grown in the OTC range on its being consumer-led and this focus has helped it grow ABC into one of the well-known brands in the OTC hair care brands in the large parts of the world.

ABC's continuing programme of market research showed a gap in the market.

This led to the launch of ABC herbal facial acne and wrinkle removing cream aimed at middleaged women. The company expected it to carry the strength of the ABC brand image to the target market of women aged 40 and above, who could soon face the problems of hair care, etc. also later in their life.

ABC herbal facial acne and wrinkle removing cream will help middle-aged women to get into the regular habit of a proper skin care routine to help keep their skin free from acne and wrinkles which could make them look young, healthy and beautiful.

Product vs Market Orientation

The market can be developed either by a product-oriented approach by creating a good product/ range and introducing it to the market or through a market-oriented approach, i.e. by finding a gap in the market and developing a product to fill it.

Marketing Mix

Having identified a gap in the market, ABC launched ABC herbal facial acne and wrinkle removing cream using an effective balance of the right product, price, promotion and place. This is known as the marketing mix or 'four Ps'. It is vital that a company gets the equilibrium of these four elements correct so that a product will achieve its critical success factors.

The company launched the ABC herbal facial acne and wrinkle removing cream in January 2006, making its entry into the market of skin and beauty care. This product had a new formula based on Chinese herbal formulations, a new and very attractive designed packaging and a name that belonged to its family of ABC Range of Hair Care Products.

This case study shows how an objective marketing mix provides the platform for launching a brand into the market.

PRODUCT

Market Segments

The first stage in building an effective mix is to understand the market. ABC used market research to target key market segments which identifies groups of people with the same characteristics such as age/gender/attitude/lifestyle.

Market Research

The knowledge and understanding from the research helps in the development of new products. ABC carries out its market research with consumers in a number of different ways. These include:

- ▲ Using focus groups to listen to consumers directly
- ▲ Gathering data from consumers through a variety of different research techniques, e.g. using a questionnaire, etc. filled by 500 women of the age group of 40 and above. The sample of women had been selected by random sampling method all over the country.

Product Concept Testing with Consumers in Different Markets

ABC had tested the product without disclosing its brand and identity. The product kits containing the samples of ABC herbal facial acne and wrinkle removing cream were distributed to thousands of women through the shopping malls, grocery stores and beauty parlours to know their reactions to the new introduction.

ABC's market research identified that their female consumers in this age bracket of 40 and above would not get time to take care of their skin. These ladies wanted more specialized face care aimed at their own age group that offered a 'beautifying' benefit, along with a solution to the skin problem that comes with growing age. These ladies had been using allopathic based formulations and were not very happy with the results. These ladies would have preferred if the company could launch its own beauty and skin care treatment clinics and offer the service of expert dermatologist's directly to take care of their hair and skin problems.

ABC herbal facial acne and wrinkle removing cream planned for a commercial launch at this stage targeted at women who did not want allopathic medicated products, but wanted a herbal solution to their problem.

Competitors' products, which were based on the formula of allopathic formulations, created lots of rashes on the skin due to its after-effects, and spots on the skin could also be noticed after its usage. This gave ABC a competitive advantage, as it provided a unique bridge between the allopathic solutions market and the home made remedies market.

U.S.P.

The company ensured the product to make it more effective and more consumer-friendly by making it ready to apply for a short while to help it mix into the outer layer of the skin.

Product Testing

ABC tested the finished products on a sample group from its target audience before finalizing its commercial launch. This testing resulted in a number of changes to initial laboratory product. The improvements included:

- ▲ Changing the formula of the products to let it mix into the outer layer of the skin. For example, it made its colour look exactly like the variable skin shades of the women of 40 plus.
- ▲ It introduced two sizes of packaging, one that the ladies could carry in their purse and carry bags and the other larger size packs used in commercial beauty parlours.
- ▲ A new modern pack design with a flower pattern and softer moderate colours to appeal the women of this age group.
- Writing product descriptions and usage instructions on the outer packs, and inserting the usage instructions card inside the packing too.

Each of these changes helped to strengthen its ABC range of hair care too, to meet the needs of the market, as the customer wanted.

PRICE

Price refers to the willingness and the ability of the customer to pay for the utility and satisfaction he wants from the product. Many factors affect the end price of a product such as:

- ▲ The costs of production
- ▲ The business need to maximize profits or sales
- ▲ A product's price also needs to provide value for the money spent on the product and in competitive market it should attract consumers to buy the product.

There are several pricing strategies that a business can use such as:

- ▲ Cost based pricing This can either simply cover costs or include an element of profit. It focuses on the product and does not take into account the consumers.
- ▲ Penetration pricing An initial low price at the introduction stage of product life cycle to ensure that there is a high volume of purchases by the customers from the competitors' products and market share is quickly won. This strategy encourages consumers to develop a habit of buying.
- ▲ Skim the cream pricing An initial high price at the introduction stage of product life cycle for a unique product encouraging those who want to be 'first to buy' to pay a premium price. This strategy helps a business to gain maximum revenue before a competitor's similar product reaches the market.

On launch, the price for ABC herbal facial acne and wrinkle removing cream was slightly higher than competitive products. This reflected its new formulations, packaging and revolutionary product range. However, the company also had to take into account that the target market was middle-aged women buying the product for their own use and the research had revealed that at this age women are little reluctant to spend more money on themselves. This meant that the price fixed for the product had to offer value for money or it would be out of reach of its target market of women aged 40 and above.

As ABC herbal facial acne and wrinkle removing cream is one of the revolutionary skin care ranges meeting the skin protection and beautifying needs of this market segment, it wanted to effectively become the price leader.

This meant that it sets the price level that competitors will follow or will undercut. ABC now needed to regularly review prices, should competitor enter the market at the 'market growth' point of the product life cycle to ensure that its pricing remains competitive.

PLACE

A place refers to:

- ▲ Where a product is sold.
- ▲ How does the product arrive at this place?
- ▲ What are the intermediaries involved in bringing this product at this place?

It means that a business must think about what distribution channels and strategies the company should use. This includes the storage and carrying points between the factory and the retailer after the product has attained its finished, commercial saleable shape and finally reaches the customers.

This includes:

- ▲ Wholesale outlets like the distributors
- ▲ Retail outlets like grosser, chemists, beauty salons, supermarkets or street and colony shops
- ▲ It also includes other ways in which a company can make its products directly available to its target market; for example, through own sales points, through direct mail or the Internet.

ABC herbal facial acne and wrinkle removing cream aimed to use as many relevant distribution channels as possible to ensure the widest reach of its products to its target market. The main channels for the product are retail outlets where consumers expect to find skin care ranges. Around 75% of the company's earlier ABC Hair Care Products are through large retailers and drug stores, super stores, and shopping malls. The balance 25% of sales is done through the grocery stores, colony shops and beauty parlors. Direct channels like the Internet and website sales are not being used so far as the cost of small orders will be too high to handle for direct distribution. Market research shows that around 20% of this age group target market buys products for themselves in the colony grocery stores when shopping with family. Research also shows that the majority of purchasers are actually made by women themselves when buying other items for their families. They are also likely to buy such products from supermarkets whilst doing their grocery shopping.

ABC distributes its OTC range of products through a variety of outlets that are cost-effective but that also reach the highest number of consumers. It uses a central distribution point in different regions. Products arrive from their production plants to these central distribution points of the regions, thereafter these are distributed to retailers using contract vehicles for efficiency for onward delivery to retail stores.

PROMOTION

Promotion is how the business tells customers that products are available and persuades them to buy. ABC has a large team of medical and sales representatives and other marketing staff who handle personal selling to trade channels. Promotion is either above-the-line or below-the-line.

- ▲ Above-the-line promotions are directly paid for, for example TV or newspaper advertising.
- ▲ Below-the-line is where the business uses other promotional methods to get the product message across.
- ▲ Events or trade fairs help to launch a product to a wide audience.
- Events may be business to consumer (B2C), e.g. sponsoring a musical night, organizing a cricket match.
- ▲ Trade fairs are business to business (B2B).
- ▲ Direct mail can reach a large number of people, but is not easy to target specific consumers cost-effectively.
- Public relations (PR) includes the different ways a business can communicate with its stakeholders, through, for example, newspaper press releases, trade magazines and company bulletins.
- Other PR activities include sponsorship of high profile events like beauty pageants, fashion shows, charity balls or club sponsorships.
- Branding – a strong and consistent brand identity differentiates the product and helps consumers to understand and trust the product. This aims to keep consumers buying the product on long term.
- Sales promotions, e.g. competitions or sampling encourages consumers to buy products in the ▲ short term.

ABC had chosen promotional strategies that reflected the lifestyle of its audience and the range of media available. It realized that a 'one way' message, using TV or the press, was not as effective as talking directly to its target group of consumers. Therefore, ABC did not use any above-the-line promotion for ABC facial acne and wrinkle removing cream.

The promotion of ABC herbal facial acne and wrinkle removing cream had been consumer-led. The company used various below-the-line sales promotion routes. ABC identified ways of talking to its customers of this age group directly.

- ▲ A key part of the strategy is the use of product samples. These allowed the customers to touch, feel, smell and apply the products directly on the skin to remove their doubts of any allergic reactions, etc. Many thousand small pouches of samples containing ABC facial acne and wrinkle removing cream were given away during sample testing. These samples were made available at beauty stores, chemist's shops and grocery stores and shopping malls.
- ABC facial acne and wrinkle removing cream launched an interactive session with its female customers in the shopping malls in many cities across the country to answer the queries related to the after-effects and other usage instructions.

It also carried articles in the women magazines for the 40 plus ladies to provide them confidence to keep their skin young and wrinkle free.

Electronic media channels had been used to conduct live demonstrations of the products and references relating to ABC facial acne and wrinkle removing cream effectiveness.

The company used the power of print media too to carry out news coverage on all events related to the launch of the new product.

CONCLUSION

ABC facial acne and wrinkle removing cream is a product introduced in the market designed to take care of the aging problems related to the skin in 40 plus women. As such, it has created a distinct positioning for itself in the marketplace. That means that ABC studied and understood its consumer's problems and their need very well and has produced a differentiated herbal product in order to meet their needs. The company has put together a balanced marketing mix consisting of the four elements of product, price, place and promotion to bring the innovative product to market. Its strategy to reach the targeted audience of 40 plus women had been supported by its decision to use the healthy mix of all kinds of media.

Source: It is a hypothetical case study developed by the author for better understanding of the subject matter.

DISCUSSION QUESTIONS

- 1. Describe what is meant by a business being 'consumer-led'. Do you find ABC is consumer-led and why?
- 2. What are the key elements of the marketing mix? Explain how each works with the others.
- 3. Analyze the marketing mix for ABC Range of Products.
- 4. Explain the task of sales promotion elements in marketing mix?

ACTIVITY

You may visit the local office/distributor of any FMCG products in your area to find out what sales promotion tools are adopted by the company to reach the products and information about the products to the end consumers.

2

Models of Consumer Behaviour and Decision-Making

LEARNING OBJECTIVES

After reading this chapter, you should be able to:

- Understand the traditional models of consumer behaviour such as economic model learning model, psychoanalytical model, and sociological model
- Become familiar with the contemporary models of consumer behaviour such as Howard–Sheth model of buying behaviour, nicosia model, Engel, Blackwell, Miniard model, Webster and Wind model of organizational buying behaviour and Industrial Buying Model of Sheth
- Know features of economic and contemporary models
- Shortcomings of economic and contemporary models

The globalization of economies has turned out to be a big boon for both the marketer and the consumer. It has presented to the marketers all over the world new opportunities of making their products and services available to consumers all across the globe. The consumers can now aspire to get better quality of products at the most competitive prices. However, the global competition has made the life tougher for the marketers, as they will have to now make extra efforts to understand the consumers' needs, aspirations and desires at the global level.

As the global players move their technology, services and products from one nation to another, they will have to undertake a fresh study of the consumers and their behaviour in these new nations, as also of the consumers in their own home countries.

The knowledge marketing has brought the world closer and has revolutionized the tastes, wants, desires and expectations of all the consumers. The consumers, in most of the major markets, have access to information about the new breed of hitherto unavailable superior foreign goods. Now they can buy the so-called imported goods in their own countries. But do these overseas manufacturers have access to the needs and buying behaviour of the new kind of consumers they have to serve now?

Possibly, the qualitative knowledge about their new consumers to the extent do not have they would like to possess. They will like to utilize this qualitative knowledge to serve their customers well and create new values for them.

Marketers can acquire knowledge about the needs and behaviour of their new consumers by undertaking research into consumer behaviour and studying the models of consumer behaviour.

The study of consumer behaviour models will enable the marketers to:

- Research into consumer behaviour to develop better marketing strategies for customer perception and satisfaction.
- Develop new theories about reaching and developing marketing plans about these new consumers.
- ▲ Develop better and improved customer relationship models.

In this chapter we discuss the traditional and contemporary models to analyse consumer behaviour and the prospects available to the marketers.

TRADITIONAL MODELS

Traditional models have been developed by the economists, psychologists and sociologists in different periods of history and hence are better known as the classical models of consumer *behaviour*. These are as follows:

- 1. Economic model
- 2. Learning model
- 3. Psychoanalytical model
- 4. Sociological model

The Economic Model

The economic model is based on the understanding that the economic behaviour is a fundamental component of human nature. The propagators of this model believed that all human beings have a vested interest in behaving economically. That is, all human beings expect a greater utility return on their scarce resources, the resources being time, effort and money. They opined that an individual has an inborn and natural tendency to avoid wasting his resources. The economic individual understandably endeavours to be frugal, economical, and cautious in managing his resources. The propagators of the economic model always assumed man to be an economic individual. They believed that man is a very calculative being. He always likes to receive a higher value return for the time, effort and money spent by him in buying a product. The value utility for human beings is

more important than anything else. In spite of all kinds of motivations, if the expected returnable value utility is lesser than the efforts spent, he is unlikely to buy that product. He likes to buy only those products where the purchase gives him maximum utility return. Clarence Carson has written, "If this were not the case, it is easy to believe (the human race) would have long since perished from the face of the earth."¹ (*Clarence Carson*, 1991). Human beings follow the law of diminishing marginal utility and are interested in the products only till the principles of maximum utility returns prevail.

Modern economics is based on the primary belief that individuals are rationally interested in their own welfare. Therefore, the economists have developed and innovated their theory of demand and supply model as a useful tool for predicting the outcomes of various changes in important variables. This model, therefore, appears to be based on the premise that the economic individual takes advantage of the situation. The price and income theory also operates on the same principle. The theory further expounds on the price theory. The price theory believes that (i) the economic individual will buy more if he is given the lesser price of the product; (ii) the lesser price of the substitute will tempt him to bring down his purchase of the original product (substitution effect); and (iii) an individual will buy more of the goods if he has more purchasing power (income effect).

The economic model does not take into account the influences of other environmental and social factors on human behaviour which affect a consumer's buying decisions. The economists took a narrow view by assuming that the human being thinks only of economic benefits. That is why this thought has been considered an incomplete model. Humans do get affected by external influences and the loss or gain is not the only consideration. The utility theory, which believed that a consumer is careful and thrifty about his scare resources, had been originally promoted by Jeremy Bentham and John Stuart Mill in the 19th century, and it cannot be said to apply to the modern man who has so many other environmental factors affecting his psychology, thought process and, ultimately, buying behaviour. This model has been criticized by behaviour psychologists due to its failure to understand human behaviour. The behavioural scientists are of the opinion that the economic consideration is only a miniscule factor touching consumer behaviour. We need to look at many other aspects, e.g., the arousal of need, the motives and the attitudes, self-concept of the individuals and other socio-cultural influences that could mould the decision-making process of the consumer. The buying behaviour of the consumers as such is not the outcome of economic thinking alone; we need to look at many other persuasive factors instrumental in the formation of the consumer behaviour.

Learning Model

The theory of learning is based on the cognitive process of learning, i.e. seeing will affect many cognitive processes in human behaviour, e.g. the building up of the attitudes, the formation of the values , the strengthening of the beliefs and the arising of the motivations. That is why this model is also called *Stimulation-Response model* or, more popularly, *SR model*. The psychologists believed that all human beings have instinctive needs, e.g. hunger, thirst, shelter, sex and learned needs, e.g. fear, guilt. The learning model is entirely based on the capability of an individual to learn, overlook and differentiate. The entire thought process behind this model works on Pavlov's stimulus response which states that in order to bring changes in the buyer's behaviour, one must change the drives, stimuli and responses as per the buyer's attitude or perceptions. Stimulus is an internal drive which

needs to be directed towards the drive reducing objective object to convert this internal stimulus into a motive. In 1927, Pavlov had carried out a psychological experiment when he showed that by pairing a conditioned stimulus (a bell) with an unconditioned stimulus (food), a dog would begin to salivate (response) when the bell was rung without presenting the food. The conditioning of the dog was called *classical conditioning* and named *Stimulus-Response theory of behaviour*²

The same classical conditioning theory was applied to human behaviour in the 20th century by J. B. Watson and Bekhterev, two Russian psychologists, who developed an animal training model known as *stimulus-response*. Watson had expounded that such conditioning is the basis of human behaviour. He stated that behaviour is a chain of well-set reflexes. Human beings act the same way if they have been conditioned to do so. He argued that "if you usually get up when a lady enters the room, you're likely to get up if every time one enters, and it may not be out of the courtesy but probably out of the conditioning."3

This conditioning can be applied to human behaviour as they learn stimulus with the response earlier produced and they get habituated to the same. When applying the same theory about the process of learning and getting conditioned by the human to marketing, the marketers will have to understand that their consumers will get habituated to certain situations and conditions thereof and will respond to similar situations subsequently in the same fashion as earlier. The theory of brand building and perception building exercises operate on the same assumptions. It is assumed by the marketers that one good qualitative experience by the consumer will give them a positive reinforcement in their future encounters with the same consumer. They even go up to the extent of believing that the consumer will get conditioned to associate this good experience with other products and services from the same company. Basing their marketing strategies on this supposition, the marketers develop family brand names, similar discount offers, seasonal schemes, and, many a time, develop a habit of continuing stale and out of date policies, anticipating the consumers will lap up their offerings like they had done before. Repeated reinforcement of all their brand building activities will lead to a habit formation and the decision process for an individual consumer will become a matter of routine. The SR model of Pavlov and learning is made clear by Figure 2.1.

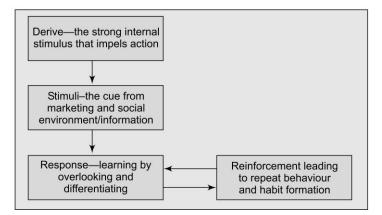


FIGURE 2.1 The SR Model of Pavlov: Learn, Overlook and Differentiate

Psychoanalytical Model

The learning model of consumer behaviour does not throw much light on the personality of humans. If we go by the learning model, a consumer will end up being defined as an "ape" who does not have a choice of his own and who cannot differentiate the situational differences in his environment around him. Having realized this drawback, some of the psychologists had developed a model that could define the inbuilt personality factor of the human being in relation to the society around him, based on the psychoanalytical definition of human personality by Sigmund Freud. Sigmund Freud saw human behaviour as the outcome of conscious and subconscious levels of the human cerebral process. These subconscious and conscious levels have been defined as *id*, *ego* and *super ego*. Id refers to the source of all cerebral and psychic energy that drives humans to do something. The super ego refers to the internal representation and approval of what is correct socially and will be approved by the society, i.e. conscience. Ego directs id at the conscious cerebral level to behave in a socially acceptable manner.

When we apply this model to marketing, it can be deduced that every individual consumer has a complex set of deep-seated motives which drive him towards specific buying behaviour and socially acceptable decisions. The consumer operates within a private world with all his personal assessments and analyses of hidden fears, suppressed desires, untold aspirations and totally subjective longings, which he thinks he needs to get approved socially and then act in a manner that appears to him to have been approved by society at large. The marketers can influence the buying action of the individual consumer, as per this model's inference, by appealing to those desires and longings.

A middle income consumer is interested in purchasing, say, a high priced car. He will be facing the following cerebral dilemma on account of his inability to pay up the total cost of the car upfront. His 'id' demands the use of liberal bank credit available nowadays to buy that costly car. His 'super ego' dissuades him from buying a car on equated monthly installments as it may not be feasible at his level of regular income. Here his 'ego' acts like a mediator and reminds him of the next increment which will take away his financial pressure. Here, the self-image of a consumer generated through ego is a great motivating force inducing him to buy certain products. This model is shown in Figure 2.2.

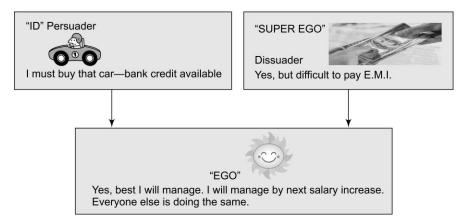


FIGURE 2.2 The Freudian Model of Psychoanalytical Behaviour Justification

Sociological Model

The genesis of the sociological model can be found in the psychoanalytical model discussed before. The individual consumer, in the psychoanalytical model, tries to justify his ego by stating to himself that he must buy a car on installments, since everyone else is doing the same. In this statement, he looks for societal approval. The individual in sociological model is influenced by society—by close family groups as well as by the social order and the social classes he represents. An individual will have a large number of formal and informal relationships in his life time, interacting and getting influenced by the persons, groups and the classes he comes in contact with. These interactions can operate at two levels-the individual concerned gets influenced and, at the same time, influences somebody else's behaviour and buying decisions. His buying decisions as a consumer certainly are not the outcome of evaluating the concept either by getting the values more than the scarce resources or of the utility concept. His buying decisions are influenced and directed by social considerations and compulsions. These social considerations can come from immediate family, intimate groups, peers and seniors, friends, opinion makers, thought influencers, social leaders, social icons and even the social media.

The individual personality today is the admixture of many kinds of persuasions and influences from different walks of working, social and political life of an individual, wherein he tries to do as the others do in order to feel and live life as part of the group. The marketers strategize their marketing activities and marketing plans keeping in view the social stratification of the individual consumer. The sociological model helps the marketer in categorizing and segmenting consumers in different social and demographical groups. The model helps in identifying the environmental factors that can affect the individual's buying decisions. The marketers, by using this model, find it easier to identify the opinion makers and opinion leaders who can act as leaders in getting the innovations accepted. Accordingly, they address all their communications and advertisings to the opinion makers and opinion leaders.

CONTEMPORARY MODELS

The contemporary models of consumer behaviour are as follows:

- 1. Howard Sheth model of buying behaviour
- 2. Nicosia model
- 3. Engel, Blackwell, and Miniard model
- 4. Webster and Wind Model of organizational buying behaviour
- 5. Industrial buying model of Sheth

Howard-Sheth's Integrated Model of Buying Behaviour

John Howard and Jagdish Sheth presented their integrated model of buyer behaviour in 1969. The model brought into focus the processors and facilitators that facilitate the process of decisionmaking of the consumers.

System Approach to Consumer Buying Decision

The Howard-Sheth's integrated model operates on three levels of consumer buying decision-making:

- 1. It deals with the complexity of the consumer behaviour and introduces the learning concept in buying by the consumer.
- 2. It builds the framework for the formation of other behaviour forming inputs, e.g. perception, attitude, loyalty, discontentment and eventual switching of the brands by the consumers.
- 3. It assumes problem solving approach in buying and adopts input-output or system approach in making of the buying decisions by the consumers. It also assumes that *satisfaction* leads to brand loyalty by consumers and discontentment can lead to switching of the brands by the consumers.

Logics of Consumer Buying Decision-making Process

The Howard-Sheth's model operates on the following logics:

- 1. **Environmental stimuli:** There are input variables in the form of stimuli in the environment. These variables have been mentioned as significant stimuli (actual elements of brands confronted by buyers), symbolic stimuli appearing in the form of advertisements, and social stimuli, e.g., social interactors like social groups, peers, friends, and opinion makers.
- 2. **Hypothetical variables:** There are five output variables, beginning with attention to a given stimulus and ending with purchase. In between these variables of inputs and outputs, there are other variables affecting perception and learning. These variables are "hypothetical" as they cannot be directly measured at the time of occurrence.

The Howard–Sheth model is presented in a simple form in Figure 2.3.

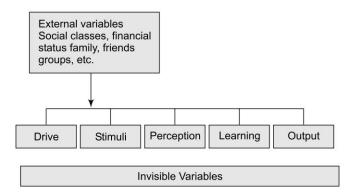


FIGURE 2.3 Simple Structure of the Howard-Sheth's Integrated Model of Buying Behaviour

The same model can also be represented in a more detailed form as shown in Figure 2.4, where the input variables and output variables have been described in detail along with the catalysts that manage to bring forward the desired consumer response.

In this model, as shown in Figure 2.4, we notice that the consumer's buying or not buying process begins with his coming into contact with the input stimulus. The input stimulus has been described as the buyer predisposition and motive which gets influenced by the external factors,

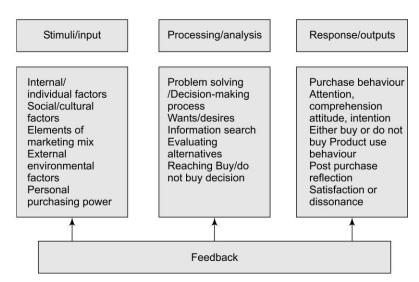


FIGURE 2.4 Detailed Structure of the Howard-Sheth's Integrated Model of Buying Behaviour

e.g. environmental factors like the elements of marketing mix, the social factors, and the decision modifiers and influencers. The output is the response that the buyer exhibits after processing the information received through the stimulus. The response can be either to buy or not to buy. But it is the post-purchase dissonance that becomes important. The customer, if satisfied, will become loyal towards the brand. The greater the dissonance, the greater will be the chances of switching over to other brands.

Shortcomings of the Howard-Sheth's Integrated Model of Buying Behaviour

The model has been criticized on account of the following drawbacks:

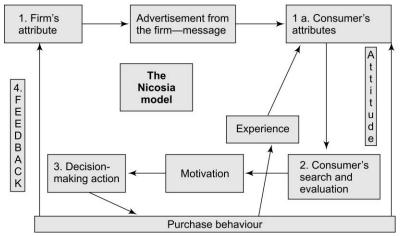
- ▲ The model is quite multifaceted, and hence difficult to comprehend.
- ▲ The variables mentioned have not been clearly defined.

The Nicosia Model (Conflict Model)

We have so far discussed models which looked at the consumer as an economic expert evaluating his value gains or value losses, as a learning individual and then responding to whatever he has learnt about buying behaviour, as a psychological analyst acting at conscious and subconscious levels, and as an independent yet dependent constituent of social system getting influenced by the external and internal factors to differentiate one brand from the other. But none of the models have so far looked at the consumer from a marketing manager's point of view. It was in 1966 when a well-known consumer motivation and behaviour expert Mr. Francesco Nicosia presented his buyer model. The model, while establishing and analysing human beings as part of the marketing system of a firm, endeavours to institute relationship between the marketing firm and its consumer. The model analyses how all the marketing activities that a firm undertakes influence the predisposition of the consumer towards the product; he develops a certain attitude towards the product depending

on the situation. It prompts the consumer to search for the product or evaluate product features and attributes. Such an exercise can get a positive response from the customer and, he may decide to buy the product. This model categorizes these activities into four basic fields.

- 1. *Field one* has two sub-fields, namely, the firm's attributes and the consumer's attributes. An advertisement message from the firm reaches the consumer's attributes. Depending on the way the messages, as displayed by the advertisement sent, are received by the consumer, a certain attribute may develop. This newly developed attribute by the consumer becomes the input for the field two.
- 2. *Field two* propels the consumer to search. The consumer here evaluates the advertised product as well as other alternatives. If this process of evaluation motivates the consumer to buy, it becomes the input for field three.
- 3. Field three consists of the physical act of purchase.
- 4. *Field four* consists of the use of the purchased item. There is an output from field four—feedback of sales results to the firm. The model is shown in Figure 2.5.



Source: Adapted from Francesco Nicosia, Consumer Decision Process: Marketing And Advertising Implications, Prentice Hall, Englewood Cliffs, New Jersey, 1996, p.156.

FIGURE 2.5 The Nicosia Model (Conflict Model)

Nicosia's model has been a major effort to bring into light the role played by the marketing firm. The model also lays stress on the communication undertaken by the marketing firm for communicating with the customer to change his predisposition towards the product and the firm.

Limitations of the Nicosia Model

The Nicosia model has been criticized on the following grounds:

- 1. The model fails to address the basic issue of the consumer getting influenced by the communication, which is not necessarily communicated by the firm.
- 2. The model takes into account only the advertisement released by the firm, but does not anywhere mention about the external influences and opinions that help a consumer form an attitude and decide on accepting or rejecting any of the products.

3. The model fails to differentiate between the firm's attributes and the consumer's attributes. Both the attributes rather overlap each other.

Engel, Blackwell, and Miniard Model (EBM Model)

EBM model is as an improvement over the original Engel, Blackwell and Kolatt model of 1968. This model is an attempt to describe the decision-making process of the consumer which, as per this model, is primarily based on and is augmented by the market dominated information input. The decision-making by the consumer takes place by way of input absorption and processing of the information, which eventually lead to the five stages of decision process concerning consumer behaviour. These five stages are: need recognition, search, alternative evaluation, purchase and outcomes. The model has been described in five separate components and sub-components, each describing a different stage of consumer behaviour, leading to purchase decision by the consumer.

First Stage: Decision Process Stages

The central focus of the model is on five basic decision-driven process stages. These stages are:

- 1. Problem recognition
- 2. Search for alternatives
- 3. Alternate evaluation (during which beliefs may lead to the formation of attitudes, which, in turn, may result in an intention to purchase)
- 4. Purchase
- 5. Outcomes

However, it is not necessary that every time a consumer has to go through all these stages. The stages may depend upon whether it is an extended or a routine problem-solving behaviour, or even a repeat habitual buying process. In the case of routine buying behaviour, the process will not necessarily take place in the manner as described by the model proponents. Figure 2.6 describes in detail the four stages.

Second Stage: Information Input

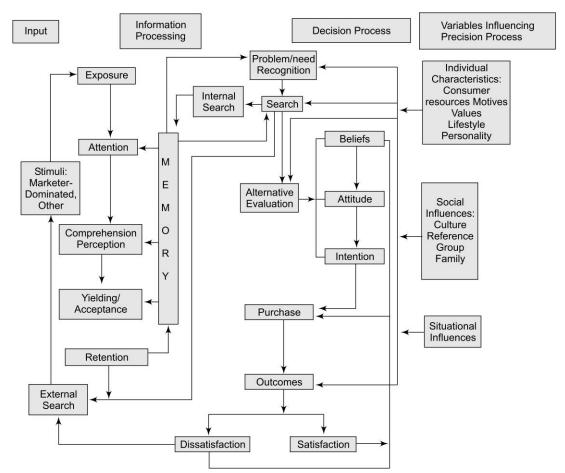
The information input is fed to the consumer from marketing and non-marketing sources. The information so received influences the problem recognition stage of the decision-making process. The consumer will go in search of additional external information if he cannot arrive at a specific decision. He does this in order to have access to a larger pool of choices or, in some cases, if he experiences dissonance because the selected choice available to him is less satisfactory than the one expected by him.

Third Stage: Information Processing

Information processing stage consists of the consumer's exposure to

- 1. Information available, which means he must be exposed to the information.
- 2. Attention: It means the consumer must attend to this information.
- 3. Perception: The consumer must be able to perceive, comprehend and understand the information so available.

- 4. Acceptance: It means the consumer should be in a position to accept the information so comprehended.
- 5. Retention of incoming information: He must retain the information he has been exposed to in his memory. In totality, the third stage states that the consumer must first be exposed to the message, must allocate space for this information, make all efforts to interpret the stimuli, and retain the message by transferring the input so received to long-term memory.



Source: Engel, James F., Roger D. Blackwell, and Paul W. Miniard, Consumer Behaviour, 8th edition, Fort Worth, The Dryden press, 1995

FIGURE 2.6 The Engel-Blackwell and Miniard (EBM)Model of Consumer Behaviour

Fourth Stage: Variables Influencing the Decision Process

At the fourth stage, the model takes into account the individual and environmental influences that affect all five stages of the decision process. Individual characteristics that can influence the decision process include motives, values, lifestyle, and personality. The social influences included are family, culture, reference groups, lifestyle, personality and values. Various situational influences, like a consumer's financial condition, too affect the decision process.

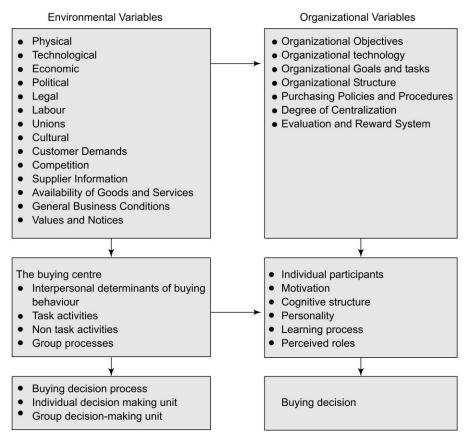
Limitations of the Model

EBM model has also not been found to be a complete analytical explanation of the consumer behaviour and his decision-making. The model suffers from the following shortcomings:

- 1. The model does not show what factors shape items, such as personality, values and culture.
- 2. The model also fails to differentiate as to why different types of personality produce different decision-making.

Webster and Wind Model of Organizational Buying Behaviour

F.E. Webster and Y. Wind in 1972 developed a very comprehensive model of industrial buying. The model takes into account four sets of variables which impinge on the buying-decision-making process in an organization. These variables are environmental, organizational, buying centre, and individual determinants, affecting the individual as well as the group decision-making process. The same variables eventually have an effect on the buying decision of the organization. The detailed working of the model has been explained in Figure 2.7.



Source: Adapted from: W. Webster and J. Wind, Organization Buying Behaviour, Prentice Hall, Englewood Cliffs—1972.



The **environmental variables** consist of (i) physical, (ii) technological, (iii) economic, (iv) political, (v) legal, (vi) labour unions, (vii) cultural, (viii) customer demands, (ix) competition, and (x) supplier information. For example, a labour trouble in any of the manufacturing units will lead to a decision of suspending all buying. The environmental factors influence the buying decisions of the entire organization.

The **organizational variables** have been referred to as (i) organizational objectives, (ii) organizational goals, (iii) organizational structure, (iv) purchasing policies and procedures within the organization, (v) degree of centralization in the purchase department, and (vi) evaluation and reward system for the purchase activity. These variables exert influence on the composition and functioning of the buying centre, and the degree of centralization or decentralization in the purchasing function in the buying organization.

The functioning of the buying centre is influenced by organizational variables, environmental variables, and individual variables. The output of the group decision-making process of the buying centre includes solutions to the buying problems of the organization and also the satisfaction of personal goals of individual members of the buying centre.

Highlights of Webster and Wind Model of Organizational Buying Behaviour

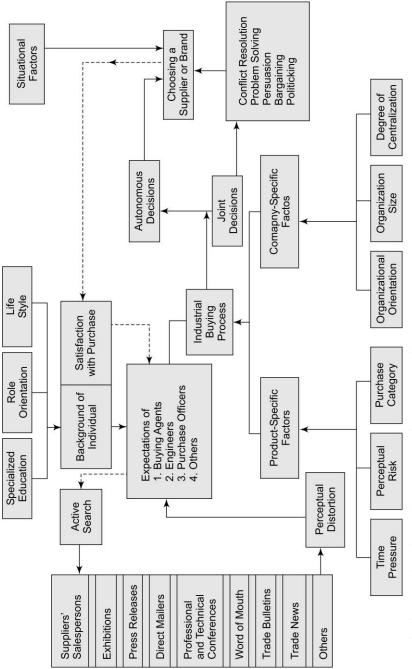
Webster and Wind model is comprehensive, practical and analytical. It identifies many key variables which could be taken into account by industrial marketers whenever they develop marketing strategies.

However, the Webster and Wind Model of fails to explain the specific influence each key variable can exert on buying decisions.

Sheth's Industrial Buying Model

Professor Jagdish N Sheth developed the Sheth model of industrial buying in 1973. The model, as shown in Figure 2.8, focuses on the purchase process and purchase policies of the organization. The model also dwells upon the psychological aspects of the decision-making in the industrial buying behaviour. This model highlights four major aspects of industrial buying.

- 1. Decision-making process and its psychological aspects: The model highlights the differences between autonomous decision-making and joint decision-making by two or more individuals. As per this model, there are six variables which determine whether the buying decisions are autonomous taken by a single authority or joint (i.e. two or more individuals). According to the Sheth model, the larger the size of the organization and higher the degree of decentralization, the more will be the possibility of joint decision-making. In joint decision-making, there are chances that conflicts may arise. The model indicates the methods used for conflict resolution in joint decision-making process. Problem-solving and persuasion methods are used when there is an agreement about the organizational objectives. In case no agreement is reached between the conflicting parties, bargaining takes place. The conflict about the style of decision-making is resolved by politicking.
- 2. Individual buyer and decision-making process: The model includes three components and situational factors, which establish the option of a supplier or a brand in the buying



Source: Adapted from Sheth, J.N., Model of Industrial Behaviour, Journal of Marketing, 1973, 37(4), pp. 50–56.

FIGURE 2.8 Sheth Model of Industrial Buying

decision-making process in an organization. The differences among the individual buyers' expectations are caused by the factors as mentioned below.

- (a) The background of individuals depends upon their education, role in the organization, and life style. The background of individuals means, he could be an engineer, an accountant or a simple non-technical person performing the task of buying.
- (b) Their information sources (suppliers' sales persons, exhibitions, press releases, direct mailers, professional and technical conferences, word of mouth, and trade bulletins and news).
- (c) Active search persons making decisions can conduct any active search.
- (d) Perceptual distortion can be caused by deformation in communication. Perceptual distortion means the extent to which each individual participant modifies information to make it consistent with his existing beliefs and previous experiences. It is difficult to measure perceptual distortion, although techniques such as factor analysis and perceptual mapping are available for this purpose.
- (e) Satisfaction with past purchases (past experiences do have a bearing on decision-making).
- 3. Situation factors are the unforeseen forces that can vary like economic conditions, labour disputes, and mergers and acquisitions. The model does not explain their influence on the buying process, which gets affected by these unforeseen forces whenever any such incident or happening takes place.
- 4. Product characteristics and the buying process: Sheth's model, while discussing about the actual buying process, avers that the buying process in the organization is affected by the following:
 - (a) Factors specific to the products, e.g.
 - Time variation: Joint decision will take longer time as compared to individual decision.
 - Perceptual risk: The higher the risk, the greater will be the number of people involved in joint decision buying process.
 - Purchase category: A repeat purchase can be handled by single buying factor decision, but a risky first time purchase will necessitate joint buying decision.
 - (b) Organizational factors and the buying decision: These factors are:
 - Organizational business: This is related to the orientation of the firm. Is the firm marketing-oriented or production-oriented? In a marketing-oriented firm, the interest of the customer will necessitate more caution. Similarly, in a technology-oriented firm, precision will take precedence over other things.
 - Size of the organization: Necessitates decentralization, hence calling for involvement of many in the decision process.

SUMMARY

- The study of consumer behaviour models is necessary to get an insight into different aspects connected with the understanding of consumer behaviour.
- The consumer, who has always been the main focus of the business, has never practically been understood fully.

- Each model analyzes some important aspect about the consumer behaviour, thus taking marketers closer to solve the mystery behind the enigmatic decisions consumers take while buying products or services.
- The economic model believed that all human beings have a vested interest in behaving economically.
- The learning model is entirely based on the capability of an individual to learn, unsolved and differentiate.
- According to the psychoanalytical model, every consumer has a complex set of deep-seated marrows which drive him towards specific buying behaviour.
- The sociological model brought into focus the need to look at the environmental and sociological influences that can shape human decision-making.
- In contemporary models like Howard–Sheth model, Nicosia model, and Engel, Blackwell, and Miniard model, consumer behaviour and decision-making has been analysed more scientifically.
- The Webster and Wind model of organizational buying behaviour highlights environmental variables, individual variables and organizational variables that can affect the decisions taken at the buying centre.
- The industrial buying model of Sheth, focuses on the psychology of the decision-making unit, characteristics of the organization, characteristics of the product and the situational variables.

OBJECTIVE TYPE QUESTIONS

- 1. The study of consumer behaviour models will enable the marketers to develop:
 - (a) Research into consumer behaviour to develop better marketing strategies for customer perception and satisfaction
 - (b) Develop new theories about reaching and developing marketing plans about these new consumers
 - (c) Develop better and improved customer relationship models
 - (d) All of the above
- 2. The price theory believes that:
 - (a) The economic individual will buy more if he is given the lesser price of the product
 - (b) The lesser price of the substitute will tempt him to bring down his purchase of the original product (substitution effect)
 - (c) An individual will buy more of the goods if he has more purchasing power (income effect)
 - (d) All of the above
- 3. The Howard–Sheth's integrated model operates on the following levels of consumer buying decision-making:
 - (a) The complexity of the consumer behaviour
 - (b) The framework for the formation of behaviour forming inputs, e.g., perception, attitude, loyalty, discontentment
 - (c) Problem solving approach in buying
 - (d) All of the above
- 4. As per the Webster and Wind model of organizational buying behaviour, the variables that affect the buying decision-making of an organization are:
 - (a) Environmental variables
 - (b) Organizational variables
 - (c) Buying centre variables
 - (d) Individual determinants
 - (e) All of the above

- According to the Sheth model of industrial buying, which methods are used for conflict resolution in joint decision-making process:
 - (a) Problem-solving methods
 - (b) Persuasion method
 - (c) Bargaining
 - (d) Politicking
 - (e) All of the above
- 6. Factors specific to the product buying as specified by the Sheth Model relate to.
 - (a) Time variation
 - (b) Perceptual risk
 - (c) Purchase category
 - (d) All of the above
- 7. Basic decision driven process stages, as mentioned by Engel, Blackwell, and Miniard Model (EBM model) of consumer behaviour are:
 - (a) Problem recognition
 - (b) Search for alternatives
 - (c) Alternate evaluation
 - (d) Purchase and outcomes
 - (e) All of the above
- 8. State whether the following statements are True or False:
 - (i) EBM model opines that the decision-making by the consumer takes place by way of input absorption by the consumer, the processing of the information, eventually leading to the five stages of decision process concerning consumer behaviour.
 - (ii) The economic model is based on the understanding that the economic behaviour is a fundamental component of human nature.
 - (iii) The economic individual understandably endeavours to be frugal, economical, and cautious in managing his resources.
 - (iv) The Nicosia model of consumer behaviour looks at the consumer from a marketing manager's point of view.
- 9. Fill in the blanks:
 - (a) The subconscious and conscious levels defined by Sigmund Freud are id, ego and _____.
 - (b) The genesis of the sociological model can be found in the _____ model.
 - (c) The buying decisions of the consumers, as per the sociological model of consumer behaviour, are influenced and directed by _____ and compulsions.

REVIEW QUESTIONS

- 1. Discuss consumer behaviour as per the economic model. Do you agree with the contention that a consumer is an economic man? Substantiate with examples.
- 2. Write a short note on Sheth model of industrial buying.
- 3. Discuss the Engel, Blackwell, and Miniard model of consumer behaviour.
- 4. Discuss in detail the salient features of the Webster and Wind model of organizational buying behaviour.
- 5. Write a short note on the Nicosia model (conflict model).

ACTIVITIES

- 1. Visit the shopping mall of your area. Find out how the consumers decide to select and buy different competitive products of similar nature.
- 2. You can visit different kinds of industrial units in your area and undertake a survey of the buying systems set up by the purchase departments of these units. Discuss the results and findings in your class.

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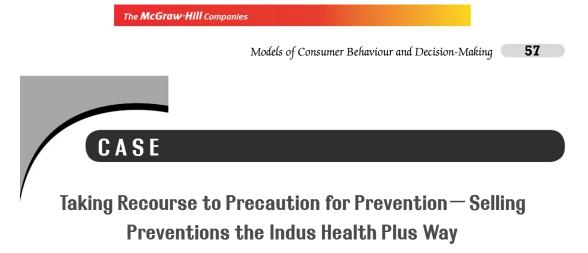
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Answers to Objective Type Questions											
1.	(d)	2.	(d)	3.	(d)	4. ((e)	5.	(e)	6. (d)	
7.	(e)	8.	(i) True	(ii)	True	(iii)	True	(iv)	True		
9.	(a) Supe	r ego,	(b) Psyc	hoana	lytical,	(c) \$	Social o	consider	ations		
9.	(a) Supe	a ego,	(0) Psyc	lloana	iyucai,	(0)	Social	consider	ations		



Creating sales out of the fear of falling sick has been the task of many general insurance companies. These companies have been selling their medical claim and general insurance policies across the globe and people have been buying the same too as it is otherwise prohibitively expensive to foot the medical bills should some person fall sick. However, to motivate healthy people to go for preventive health checkups by paying money has definitely been a very difficult task for the Indus Health Plus. The company, established in 2000 to create a climate of preventive checkup and diagnostics amongst a symptomatic people, have so far serviced more than 200,000 customers in Maharashtra.

USP OF INDUS PLUS

The USP of Indus Plus is that the company offers a huge range of tests with counselling and reports on the same day to save the valuable time of its customers who come to the company to get various tests done. These consumers are neither sick nor do they have been advised by any doctor to go for these tests. But these customers get the tests done as a preventive measure to maintain better health. Indus Plus offers all this at an unbelievable discount from the regular price in the market. The company also offers many additional benefits that no other diagnostic labs can offer in the schemes covered under INDUS HEALTH PLUS packages.

How Does the Company Do It?: Indus has partnered with leading medical establishments in Pune, Delhi, Mumbai, Nagpur, Goa, Nagar, Sholapur, Karad, Latur, and Jalgaon for checkup delivery at the hands of renowned doctors for best medical practices, fully equipped with the latest trends in technology.

The company also offers regular and comprehensive checkups to corporate to save the employer companies valuable and productive time and money. Indus Health believes that with today's high stress environment and lack of time to really de-stress and workout by its executives, any employer company needs to preserve its best talent. So, the company hawks the idea that the employer should arrest a problem of bad health of its employees before it starts. The company offers health checkup packages to the employees' spouse also. That helps the Indus Plus win a lot of clients. The company also makes a claim that their checkups are not token attempts. The preventive checkups so offered are comprehensive health checkups plans at a very cheap cost. The company challenges that if a customer can show a cheaper, more comprehensive checkup by any other laboratory in the country, it will refund the difference.

Winning customers by emotional yet logical appeal: The company has been getting customers attracted to its preventive health checkup schemes by touching the emotional cord and selling the economic benefit to its customers. The company states on its website, http://www.indushealthplus. com/why indus.html:

"The cost of critical health care is incalculable. Besides the extremely high cost of treatment, there is the added cost of stress on finances, family, job and health.

With rising incomes, our lifestyles are putting us more and more at risk of critical illness like heart disease, stroke, etc.

A very simple tool for prevention exists. Unfortunately, it is one that is rarely used. A comprehensive physical checkup that includes latest technology like the cardiac CT scan.

In a few minutes, a clear idea of blockages, etc is made available to the diagnostician. Then, with expert advice, a patient can take steps to avert what could, at some point of time, have been a fatal heart attack (almost one in two heart attacks ends in death before medical aid can reach).

Almost all of us have blockages in our coronary arteries, to different degrees. These blockages take decades to develop. It is a result of style choices. Then, at an unfortunate moment, we get our "sudden" heart attack.

Since heart attacks are one of the few illnesses that can kill on the spot, it is very vital to know and monitor the condition of your heart on a regular basis.

The good news is that even an 80% blockage can be reduced with appropriate medication and lifestyle changes, in most cases.

Indus has made a mission of persuading seemingly healthy asymptomatic people to have a comprehensive checkup. The number of undetected cases that come up is quite amazing. We save lives... and a lot of money and stress to the family along the way.

Insurance pays (sometimes) for the problem after the event. Indus is proud to say we do everything in our power to prevent the event.

Prevention Pays!"

The multilevel selling plan: Indus Health Plus is a company that operates through the multilevel marketing system of selling for individual customers. It attracts basically the retail customer with the multilevel selling plan, just like Amway or Tupper ware do it for their customers. The independent distributors, as also the company' own sales employees, sell the company packages to individual customers, by organizing meetings and seminars by the doctors in housing societies and residential colonies. The customers who sign up for the company's health checkup packages can avail very attractive discounts on outpatient services at pharmacies, besides getting loyalty points in Indus Health loyalty cards. The cards offering discounts and various kinds of treatments can also be purchased by the customers who register themselves as distributors for Indus Health schemes.

Indus is able to offer all this by having partnerships with some of the leading diagnostic laboratories and hospitals in Maharashtra. Sahyadri Hospitals, Primus Super Specialty Hospital, N.M Medical, Metropolis are some of the hospitals and diagnostics centres that are associated with Indus health.



The McGraw·Hill Companies

Platinum Card is a **"PREMIUM CARD" available for the General Public,** with the highest discount structure.

The card is a boon for customers where the existing healthcare spends is high and the savings on the Card will exceed the cost of the Card. The card is priced by the company in such a manner that saving/benefits is larger than the costs incurred in buying the membership. The customers can get the following discounts on your PLATINUM CARD. This card is available to all.

Туре	Discount		
OPD Consulting	40%		
MRI SCAN	40%		
CT SCAN	40%		
Catheter Angiography	package		
Angioplasty	20%		
Lab	30%		
Diagnostics	40%		
Inpatient	20%		
Pharma	10%		
Between 8 pm – 6 am			
MRI SCAN	65%		
CT SCAN	65%		

The added attraction: The silver card is a "loyalty card" available only for those clients who have undergone the preventive health package checkup. This card is not offered to general public.

The Silver Card is also available for select corporate, through an arrangement/agreement with Indus, wherein the corporate offers the Silver Card as **"Employee Privilege Card"** to its employees as an HR strategy and/or as an employee friendly measure.

Silver Card is also available for select trade/business entities, through an arrangement/with Indus, wherein the entity offers the Silver Card as **"Customer Privilege Card"** to its customers who have purchased a product/service from it. As a sales promotion strategy and/or as a customer friendly measure, Silver Card is entitled to a discount structure, which is higher than that of Blue Card. The following discounts can be availed by the customers on their Silver Card.

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Туре	Discount
OPD Consulting	30%
MRI SCAN	30%
CT SCAN	30%
Catheter Angiography	40%
Angioplasty	20%
Lab	20%
Diagnostics	30%
Inpatient	20%
Pharma	10%
Between 8 pm – 6 am	
MRI SCAN	50%
CT SCAN	50%
Lab	25%

*MRI, CT Scan, Lab and Pharma: 24 Hrs.

The lists of benefits for independent distributors customers is endless and keeps on increasing as the customers qualify for higher levels of loyalty cards.

Source: The case has been adapted from http://www.indushealthplus.com/about_us.html, accessed on 9 January, 2011, Gauri Kamath, Hawking prevention, *Business World*, 29 September, 2010.

DISCUSSION QUESTIONS

- 1. What type of model of consumer behaviour can you see in the case discussed above? Discuss with examples.
- 2. Explain the selling plans as adopted by the company in this case study for independent customers.
- 3. Discuss the USP of Indus Plus in selling a simple membership to the pathological laboratories and diagnostic laboratories.

ACTIVITY

You can conduct and undertake a similar survey of some of the diagnostic laboratories in your area to understand the promotion mix adopted by these laboratories for promoting their sales.

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Consumer Personality

LEARNING OBJECTIVES

After reading this chapter, you should be able to:

- Know the definition, meaning and nature of personality
- Become familiar with the theories of personality
- Explore the dimensions of human personality and consumer behaviour
- Understand the applications of consumer behaviour in marketing and other fields
- Know the concept of the image of self

Consumer personality has been a subject of immense interest for every marketer and advertising man. There is a general belief that the personality of the consumer is a mix of inheritance and circumstances. Many theories have been put forth by thinkers, philosophers and psychologists to unravel the hidden aspects of consumers' personality in order to help the marketers and advertisers build up their products, services, campaigns, brands and advertisements. But does the personality alone provide a satisfying answer to the question as to why a consumer behaves in a particular manner? Does the consumer behave in the marketplace in the manner as it has been spelt out by the personality that he possesses? The enigma why a consumer behaves in a certain way in the marketplace is too challenging to be understood. Internationalization of the markets, globalization of the economies, availability of employment and spread of knowledge by way of electronic media and Internet all have brought about revolutionary changes in the consumer buying across various nations. The marketers find that newer and hitherto unknown segments are emerging for products and services, consisting of the consumers who have been known to be very conservative and traditional in their buying behaviours till a decade or so. This noticeable change can also be seen in the traditional behaviour of the Indian middle class segments of consumers on account of their

purchasing power going up. The influence of the globalization of the Indian economy and access to the western ways of living can be very easily seen in the behaviour of the Indian consumer. The impact of the westernization can be gauged from the fact that the Indian consumer today does not think twice before spending his money on items such as hand sanitizers, facial wipes, anti perspirants, deodorants, biotic facial and body creams, health and energy drinks and fabric softeners, pre and post bath body and facial rubs and creams, non synthetics and herbal shampoos, and many such products that were till yesterday unknown to exist in the traditional Indian markets. It is the same consumer who, till a decade ago, used to be careful, prudent and thrifty about the way he would like to spend his money on these items.

Exhibit 3.1

CHANGING TRENDS IN CONSUMER BUYING IN RECENT TIMES

A market survey conducted by the Times of India Mumbai mentions that the consumer segments are witnessing substantial growth in off the shelf and impulse buying recently. Newer products containing low fats, sugar free, baked and whole grains are now jostling with traditional items such as biscuits and salty snacks in the shopping malls. People are getting conscious of their oral health and hygiene, facial complexions and ageing effects. The Indian consumers are patronizing newer gums, creams and lotions, along with the convenience food. The emergence of technical fabric in textiles, water repellent fabrics, fire retardant fabrics, aroma fabrics and stain guard fabrics speak of the tastes and needs of Indian consumers' fast changing habits and emergence of newer segments for companies like Arvind Mills and Alok Industries. The rapidly diverse changes are also witnessed in the way holiday makers are making their holiday plans. They are now preferring and moving from customary guest houses and hotels to homestays. Homestay is a segment of holiday making where people offer their homes to the travelling tourists for staying with them and experiencing the culture, customs and traditions. The research indicates a significant growth in some of the newer categories of fast moving consumer products, as given in Table 3.1

Source: Adapted from the article by Namrata Singh and Reeba Zachariah, TNN, The Times of India, Mumbai Edition, January 11, 2011.

Products	Growth percentage (annual)
Probiotic drinks	20+
Functional gums	20+
Pre/post washes	26.5
Liquid toilet soap	20+
Specialty skin creams	20
Technical textiles	20
Homestays	100

 TABLE 3.1
 Off the Shelves in Stores (moving annual total Oct. 2010)

Source: The Nielsen Company

Such transformation in the personality of the Indian consumer has taken place due to his exposure to the lifestyle of people living in developed countries. It is this dynamic change in the behaviour of consumers over the different period of the economic history that has interested the marketers. The marketers want to understand the consumer personality. They want to find out the factors that make and develop the personality of their consumers in order to analyse the buying decisions. The marketers want to develop marketing and advertising strategies accordingly to gain the attention of the consumer. They want to influence and direct his buying decisions for their products and services. In this chapter, we study consumer personality as propounded by various thinkers and philosophers.

MEANING AND DEFINITION OF PERSONALITY

The personality of a person is the result of his individual traits he inherits and acquires by experience as he grows up in life. These individual traits so developed provide him with a unique and distinctive personality. This unique and inborn personality of an individual distinguishes his persona from other humans with whom he interacts and deals with in his day-to-day life. A person's personality gets shaped by the influence exerted by the people around him. The experiences and the interaction with people shape his personal attitudes, his values in life. As a person grows up in age and experiences, his personality is changed or personalized by the people or events surrounding him. The personality also gets modified due to a person acquiring education and knowledge. However, the personality of a person does not get altered very radically. Some of the basic traits of the innate personality of the individual remain consistent. The marketers need to study and understand the consumer personality in order to:

- 1. Understand those factors that are helpful in making of a consumer personality.
- 2. Understand the influences that make him behave in a particular way.
- 3. Determine how and why a consumer behaves in a particular way in his buying and consuming habits.
- 4. Strategize their product development plans based on the habits and behavioural aspects as exhibited by the consumers.
- 5. Strategize their marketing and sales plans for their products and services.
- 6. Strategize their distribution plans for their products and services.
- 7. Strategize their promotion plans as based on these habits and peculiarity spelt by the individual personality of the consumer.

What is **personality**? Personality, as we have mentioned earlier, is the dual influence of heredity and early childhood experiences. It is also seen as the making of the larger social and environmental influences that are experienced by the individual when he grows up. Personality forms a combination of many specific individual traits which are unique to the person. These are some of the considerations we have to take into account while trying to define personality.

Personality has been referred to as "inner psychological characteristics that both determine and reflect how a person responds to his/her environment".¹

What are inner psychological characteristics? These are unique characteristics belonging to an individual that set apart his personality from other humans. The inner psychological characteristics of the individual include:

- Attributes
- ▲ Traits
- ▲ Mannerisms

Personality is an expression that is often used to describe typical characteristics or habitual traits a person exhibits to cope up with the ways of his or her life. Personality is not a process, whereas perception, motivation and learning are processes. Personality development, however, is a process that helps differentiate the innate personality and the current personality of a human being over the passage of time. Personality is the total outline of distinctive ways of individual perception, his judgment, his thinking, his feeling, eventually his reacting and behaving in a particular manner. Each person's manner of behaving relates to the distinctive method in which an individual interacts and acts in response to the environment surrounding him. An individual's personality thus relates to perceived personal characteristics. These characteristics are consistently exhibited under normal conditions, when the person acts in relation to and in the presence of others. It is observed that in most, but not necessarily in all, communication with the environment the behaviour a person projects in one situation is similar to the behaviour exhibits in another situation. In this way, personality is the making of cerebral perceptive experiences a person gets from experiencing other persons (i.e., how they accept him, how they talk with him and how they react to him.) While an individual's personality is often interpreted by those he interacts with, the individual has his own perception of his self personality. This perception of the self personality is called *self concept*, which may or may not be the same as others view him.

Personality has been defined by Gordon.W. Allport as "the dynamic organization within the individual, of those psychological systems that determine his unique adjustment to environment." Allport argued that humans are consistent in personality even though their behaviour may vary from situation to situation. Allport argued that biology influences our personality development. He accepted the idea that temperament constitutes an inherited biological foundation for personality.²

Personality has been defined by Morgan and King as "the characteristics and distinctive trait of an individual, the stable and shifting pattern of relationship between these traits and the way the traits interact to help or hinder the adjustment of a person to other people and situations."^{3,4}

NATURE AND PROPERTIES OF PERSONALITY

Three distinct properties of personality can be identified from the definitions that we have studied before.

- 1. Personality reflects individual traits (and differences).
- 2. Personality is stable, consistent and enduring.
- 3. Personality can change under specific circumstances, though it may not change in all circumstances.

1. Individual traits (Differences): Inner characteristics of an individual are unique to his personality. These characteristics are different from other human beings, who possess widely different personality traits. This way, it can be said that no two individuals can possess the same and similar traits. No two individual personalities can be alike and identical. Many individuals' traits may appear to be similar in different personality characteristics, but the personality as a whole will be distinctive

to each individual. People can exhibit traits that can be aggressive. There can be people with submissive personality traits. Individuals can be high or low in their risk taking. They can be introvert or extrovert, open or shy, stable or moody. However, people cannot be identified as separate segmented groups with similar personality traits. If it was so, then we could distinctly segmentize the personality traits of all the population, and it would have made the life of marketers much easier. The marketers did not have to undertake such research into the consumer behaviour at the individual level as the psychological personality groups could then be easily segmented and differentiated.

2. Personality is stable, consistent and enduring: Marketers can simply address different traits in human personality, but they cannot change the personality of consumers in order to sell to them their products or services. If they know which specific personality characteristic of their consumers triggers the desired consumer response, they can attempt to appeal to the relevant traits of the individuals found in their target group of consumers. Even when the personality of the individual remains consistent, consumer behaviour may vary due to psychological, cultural, sociological and situational factors that influence human behaviour.

3. Personality can change: An individual's personality may change due to many cultural, social, and psychological events that occur in his life. The personality changes when an individual has to accommodate and share his life with another person due to marriage. Events such as birth of children and loss of dear ones lead to many adjustments in an individual's personality. Similarly, getting better education, higher job and status and family responsibilities can bring about many kinds of personality adjustments in an individual. Personality change is usually a gradual maturing process, and not a volatile adaptation. Personality stereotypes may change as the time passes by, and the society as a whole acquires a new and improved attitude towards its roles and responsibilities. We notice such changes in men's personality at a slow pace, but the personality of women have changed more radically where women have adapted themselves to more masculine and liberal personality over the last two decades or so.

THEORIES OF PERSONALITY

The theories of personality throw better light on the nature and formation of personality. These theories look at the human personality from various angles such as psychology, sociology and the traits of human beings. The Freudian theory believed that unconscious needs and drives are at the heart of human motivation. The neo Freudian theory believed that social relations are the basic fundamental to the development and formation of personality. The trait theory advocates quantitative approach to personality as a set of psychological traits. We discuss some of the personality theories in the following sections.

Freudian Theory

Freudian theory operates on the unconscious drive an individual possesses. The theory works on the premise that the behaviour of every individual is driven by the unconscious drives that a person has. These drives are influenced by that person's physiological needs. This theory, known as the psychoanalytical theory of personality, advocates the human personality as the center or the

hub of the interaction between the three interactive personality developing systems of the *id*, the *superego*, and the *ego*.

- 1. **Id:** It deals with primitive and impulsive drives of the human mind. It treats the fundamental physiological needs such as hunger, thirst, etc. as the basic physical and psychological needs of human beings, and the theory says that the individual seeks immediate satisfaction without expressing much concern with the means of satisfaction.
- 2. Super ego: It is the individual's internal expression of moral and ethical codes of conduct as moulded and influenced by the codes imposed by society. The super ego ensures that the individual satisfies all his primitive and impulsive needs in a socially acceptable manner. It serves as a kind of control that slows down and holds back the impulsive force of ID. It makes the individual keep in check his impulsive drives and physiological needs and amend his behaviour as dictated by the socio-cultural constraints of super ego.
- 3. **Ego:** It is an individual's conscious directive and control over the expression of his explicit behaviour in society. Ego acts as the internal examiner that balances the impulsive demands of id and the demands of socio-cultural expectations.

Application of Freud's Ideas in Marketing

Marketers and advertisers have realized that human drives are largely unconscious. They know that their targeted consumers are primarily unaware of the true reasons for their buying the products. The advertisers and marketing strategists know that they need to bring to the fore the underlying motivations and drives of their consumers in order to stimulate their buying action. Many a time, we see sexual connotations in advertisements; other times advertisements show glamorous people using the product. In each case, we see that advertisements use some kind of justification for acceptance and buying of the product by the consumer rather than for its practical uses. These advertisements use such communication and message that aims to reduce the stress of super ego and bring forward the justification as put forth by the individual ego.

Neo-Freudian Theory of Personality

The Neo-Freudian theorists, however differed with the psychoanalytical theory of Sigmund Freud. These theorists were Carl Jung, Karen Horney, Alfred Adler, and Henry Sullivan. They developed Freud's ideas further, but they presented a fresh explanation of the formation of the human personality. These thinkers opined that the individuals engage in constant adaptation and creative development, as guided by their environment conscious mind. They were of the opinion that external factors exert important influences on the individual's personality. The neo-Freudian theories propagate the idea that social relationships are fundamental to the formation and development of personality. They believed that the formation of human personality was not the result of the unconscious biological needs alone. The human personality was an outcome of the social relationships consisting of culture and history and other social factors fabricating social relationships.

Carl Jung's Personality Elements

Carl Jung introduced four elements that pervaded the human personality and its psychology. These dichotomous elements of the human mind are:

- ▲ Sensing-intuiting of the human mind
- ▲ Thinking and feeling
- ▲ Judging-perceiving
- ▲ Extroversion-introversion

Carl Jung's theory looks at the formation of human personality as the result of the accumulation of shared memories from his childhood and early age. The childhood experiences of love, sharing, mutuality, nurturing by females, heroism by extroverts help an individual develop what Carl Jung called the *archetypical personality*. These personality elements, as we have mentioned above, can be seen in the following typical archetypes' of cerebral faculty, and these faculties are used by the individuals in their decision-making and their mental adjustments in social relationships.

- Sensing-intuiting of the human mind: A sensing and intuitive person is supposed to be of imaginative and reflective kind. He uses his faculty of imagination rather than logic and reasoning. Though he uses imagination, he weighs every decision from every possible angle before he gives his final nod to any of his buying decisions. Because he is imaginative, he is also open to experimenting.
- 2. **Thinking and feeling kind of personality:** Such persons feel even though they believe that they are making logical decisions. They do feel for others. Their logic always keeps others in mind and for them, their status definitely matters in any decision they take.
- 3. **Judging-perceiving:** Such persons use logic, research and see through every decision from all angels. They like to perceive the logic behind every move they make. They, though, keep their own perception in mind and have the materialistic nature for judging any thing in life. They do take time in making decisions as they have to distinguish their opinion and thought process from others and make it appear to be so too.
- 4. Extrovert-introvert types of personality: These are the two broader types of personalities developed by Jung. The extrovert personality is always open to interaction, takes interest in others and likes to mix up with the society he is part of. He is also a kind of exhibitionist who likes to be more aggressive in projecting his image in front of others. He is, in a way, loud thinking type who takes into account social and common opinions about himself and about other matters he has to decide upon.

The introvert personality, on the other hand, is a reflective kind of personality who shies away from the company of others. He is always lost in his own world and does not have much interest in socializing. In a way, he keeps himself to himself even in a crowded social activity.

The theories of Carl Jung and the personality archetypes advocated by him have a great relevance to the behaviour of the consumers in the marketplace.

Isabel Briggs Myers developed The Myers-Briggs Type Indicator (MBTI) model which can be used to understand consumer personality and consumer behaviour. The model makes use of two of the major dichotomies of Carl Jung—sensing and intuiting and thinking and feeling.

Karen Horney believed that people's personality was the result of their adaptation to their culture. The personality was also a result of the defense mechanism people develop to deal with difficult relationships. This formed the basis for CAD, a tool to understand one's personality. CAD considers three types of people—compliant, aggressive and detached.

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- 1. **Compliant personality:** Such a personality takes the middle route to the introvert and extrovert kind of personality, as compliance to the social and cultural norms and expectations will mean the individual does not want to go against them and unnecessary draw attention of others.
- 2. Aggressive personality: It refers to an individual being an extrovert and getting noticed in all what he does.
- 3. **Detached:** A detached personality goes completely into his shell like an introvert, lost within his own world.

Alfred Adler stated that the social angle played an important role in a person's personality, and that each person pursued rational goals. Henry Sullivan stated that all behaviour was directed at eradicating anxiety from one's life and reaching a state of tranquility or peace.

Trait Theory

A trait is defined as "a distinguishing, relatively enduring characteristic in an individual that differentiates two individuals from one another.⁵ The traits or characteristic theory focuses on the measurement of individual personality in terms of specific traits that the individual can be identified to be possessing. The traits could vary in their nature, e.g., outgoing or shy, primarily quantitative or empirical. The trait theory based on individual personality factors is an empirical attempt to identify and categorize personality characteristics that could be useful for marketers. The marketers can identify and separate the characteristics of individuals that constitute a certain market segment. Personality traits that have been useful in differentiating between consumer innovators and non-innovators as major influencers of behaviour include the following. These traits are discussed in the light of their usefulness and importance to the marketers and advertisers.

- 1. Consumer innovativeness: Consumer innovativeness helps marketers in identifying the consumer's attitude towards the new and innovative products. The consumer innovativeness tells as to how receptive is a consumer to new products, new services, or new practices. Consumer innovators are those kinds of consumers who are likely to try new products and new ideas and innovations. Those innovator consumers are often vital to the launch and introduction of new products. They are the ones who take the lead in accepting new products, before these products are spread to and accepted by the followers and subsequently by the laggards. Consumers low in rigidity and open to innovativeness are more likely to prefer untried products to the products which have already been established in the market. On the other hand, consumers high in obstinacy are more likely to accept already established and authority-based products. For example, we notice the advertisers making use of the celebrity models to direct their messages to the consumers high in dogmatism.
- 2. Consumer openness to influence: Consumer openness to influence refers to the formation of the social character of an individual consumer. The social character of a consumer is a personality trait that tells about his distinction of personality and behaviour from the self-directed to other-directed. Self-directed consumers rely on their own "inborn" values or standards in accepting or rejecting new products. These consumers have also been referred to as *innovators*. Such consumers can be influenced by the details about product features. They may be able to assess their personal advantages in accepting or rejecting the new

products. The consumers with the character of other-directed look towards others for their reactions to innovations. These personality characters play a safe game. They do not want to expose themselves to the risk of the untried and unknown and the subsequent ridicule. Such characters are not innovators. They get influenced by the advertisements that feature social environment and social acceptance. They are the people with susceptibility to influence and they prefer conformity and compliance with the social environment to which they belong.

- 3. **Consumer materialism:** Consumer materialism refers to the characteristics that can tell about the materialistic attitude of the consumer. Such consumers feel possession is the indicator of their identity and status. They like to acquire and show off their material possession. Such characters look for lifestyle of possession and comfort, though they have been identified to be little self-centered and selfish.
- 4. Consumer ethnocentrism: It refers to the consumer segments that are receptive to foreign-made products. Researchers have developed and tested the consumer ethnocentrism scale— CETSCALE.⁶ CETSCALE results identify consumers with a predisposition to reject or accept foreign-made products. Consumer ethnocentrism specifically refers to ethnocentric views held by consumers in one country. Consumers may believe that it is not appropriate, and possibly even immoral, to buy products from other countries. Purchasing foreign-made products by ethnocentric people may be viewed as improper because it can make people jobless in their country, and they feel that buying foreign goods hurts the economy. Non-ethnocentric consumers evaluate foreign-made products more objectively. Many domestic companies use consumer ethnocentrism to advertise their products to appeal to the patriotism of such people.

DIMENSIONS OF HUMAN PERSONALITY AND THE CONSUMER BEHAVIOUR

Personality influences an individual's buying behaviour and choices of the products. The identification of personality characteristics of the consumers has been very helpful in predicting consumer behaviour. Marketers have made use of their knowledge about consumer buying habits for segmentising these identified consumers with different traits into different segments. The study of consumer behaviour has proven to be highly useful in the formation of a firm's advertising and customer relationship strategies. Another theory put forward by Schiffman and Kanuk⁷ highlights the study of the following traits, which can be related more relevantly to the consumer behaviour:

- ▲ Consumer innovativeness
- ▲ Dogmatism
- ▲ Optimum stimulation level
- ▲ Variety and novelty seeking
- Social character
- Need for uniqueness

We discuss in detail the impact of these personality traits on consumer behaviour.

1. **Consumer innovativeness:** Innovativeness is not devoid of risk for the products and services being marketed by the companies. The innate innovativeness of the consumer will always be prompting him to seek new products. The marketers will not be able to find loyalty among their consumers who have such innovativeness in their characters, thus causing a lot of

uncertainty in the market. The uncertainty prevailing in the marketplace can be the cause of worry for producers of goods and services. They will definitely find themselves at a loss as to what new should be given to the consumer so that he stays with them, and does not shift his loyalties.

- 2. **Dogmatism:** Every individual has his own set of beliefs, tenets and ideas about his life and, in general, about the way life should be lived. Some people may listen to others and keep an open mind for the infusion of opinions, ideas, and beliefs of others into their personal space. But many individuals do not like to change their beliefs and ideas. Such persons put resistance to change and acceptance of new ideas. Such personality traits are dogmatic in nature. A dogmatic consumer means that he will not be going for new introduction. He may not even show much interest in the introduction of innovations. Such a situation again could be worrisome for the marketers as it hampers the process of improvement and developing new products. Dogmatic Consumers can be influenced by authoritative celebrities and strong opinion makers.
- 3. **Optimum stimulation level:** Every individual needs stimulation in his life to keep variety and interests in life alive. Some people need a higher level of stimulation and seek adventures and novelty in their life. Such people could be willing to experiment, take risks, and enjoy the thrill for the sake of physiological arousal they will get out of the stimulation so experienced. Some people could prefer a simple, serene, calm and conservative way of living. Such people possibly have already found their need for stimulation in the way they have been living their life. They will not be looking for more variety. However, researchers have found that people generally need moderate stimulation which could neither be too aggressive nor too passive to shake the levels of arousals they have been experiencing so far. Consumer behaviour gets affected either way the consumer wants to find his stimulation. Consumers with higher stimulation levels go for novelty, and untried products. They seek information about new advertisements, new products, new schemes and new varieties. Stimulation for them means adding a new dimension to their sensation-seeking personality.
- 4. Variety and novelty seeking: This is another trait which characterizes the need of the individual for varied, novel, and complex sensations and experience. The person with this trait exhibits his willingness to take physical and social risks for the sake of such experience. For example, a person buys a sports car in order to seek novelty and variety that is different from others. There are many different types of variety seeking individual behaviours such as:
 - People with exploratory purchase behaviour switch from one brand to another every time they buy something to experience newer and probably better alternatives to their existing or previous choice.
 - Some of the novelty seekers do have the vicarious exploration type of nature. (The consumer in such a situation secures information about a new or different alternative and then contemplates or even daydreams about the option of the product chosen by him), e.g. sports cars, modified bikes.
 - The third form of variety or novelty seeking—use innovativeness—is particularly relevant to technological products. Consumers with high variety seeking scores might also be attracted to brands that claim to have novel or multiple uses or applications. Marketers, up to a point, benefit from the thinking in terms of offering additional options to consumers seeking more product variety. Ultimately, marketers must walk the fine line between

offering consumers either too little of variety or too much of the choice through assorted variety.

- Cognitive personality factor theory believes that consumers prefer products that emphasize
 the visual presentations in their advertisements and communication with the consumers.
 John T. Cacioppo and Richard E. Pettey⁸ while focusing on the need for cognition by
 some consumers, have opined that consumers prefer written or verbal information about
 the products. They need this cognitive help to utilize and exercise their thinking faculties.
 Marketers should know whether to stress visual or written elements in their advertisements
 and other communication about their products and services. A person buying a new car
 with high cognitive personality factor is most likely to obtain all information available
 on the cars before he makes a decision. On the other hand, a person with low cognition
 need may be attracted by the visual shown in the advertisements of the car.
- 5. Social character: This trait spells out the social personality behaviour that distinguishes between the self-directed and other-directed innate nature of humans. This differentiation enables the marketers to know whether the consumer will be able to make his own decisions or he needs to be directed by other social influencers. A self-directed consumer, as we have discussed earlier, will rely on his own "inborn" values or standards in accepting or rejecting new products. These consumers have also been referred to as *innovators*. Such consumers can be influenced to develop a positive decision by providing them the detailed description of the product features. They do not take a decision in a hurry, nor do they want to become the first adopters. They always wait for and give a chance to others to express their opinion and reaction to innovations. These "other directed" personality characters want to make sure others have adopted and tried the new products, and they will buy only if the feedback is positive. Such characters are not leaders. They get influenced by the advertisements that feature social environment and social acceptance. They are the people with weakness to society's common influence. They prefer conformity and compliance with the social system and social environment to which they belong.
- 6. Need for uniqueness: There are people who want to be different, become heroes by adopting their uniqueness, and do not want to go with the flow. Such people generally raise themselves above all social criticism and take decisions that set them apart from other persons of their social class and breed. They become immune to the hearsay and others' opinions. Such people will make unconventional decisions. They actually have unconventional choices of products, which could make them appear unique and different from the crowd. Uniqueness gives them a feeling of being different from others and to have made a mark in society. They display this kind of attitude in their buying behaviour by preferring products and services that will set them apart from the masses. The advertisement by Mercedes cars appeals to the unique characteristics of the prospective buyers by highlighting the fact that they are heroes in buying this car.

Marketers undertake the study of consumer behaviour to find out as to when, why, how, and where people do or do not buy products and services. They attempt to understand the decisionmaking process of their consumers, both individually and in groups. They undertake the study of the characteristics of individual consumers such as demographics and behavioural variables in an attempt to understand people's wants. Their study of consumer behaviour tries to assess the influences of groups such as family, friends, reference groups, and society in general on the

consumer. The study of consumer behaviour is based on the customer playing the three distinct roles of user, payer and buyer. Hence, it is important that companies study their subject with all care and in all situations that can influence his buying decisions.

APPLICATIONS OF CONSUMER BEHAVIOUR IN MARKETING AND OTHER FIELDS

There are four main applications of consumer behaviour:

- 1. Better marketing strategy and better marketing campaigns: By undertaking research into consumer behaviour, the companies can come to know of the consumer attitude and their agenda for buying products and services. They can plan their season/offseason sales strategies, campaigns, and consumer communications. For example, by understanding that consumers are more receptive to beverages and cold drinks advertising in the beginning and in the peak of summer seasons, the companies like Coke and Pepsi schedule their advertisements in the beginning of the summer. The companies can strategize their products' life cycle plans, i.e., understanding fully well that the introduction stage of their new and innovative product may not attract many consumers, the companies may opt for the skim the cream pricing strategy by keeping their prices low. The companies may opt for the skim the cream pricing strategy if the consumer attitude tells them that the innovations have been accepted by the consumers. Thus, their marketing strategy, pricing strategy, promotional strategy and even distribution and spread strategy depend upon the consumer behaviour displayed by their market and universe.
- 2. Formation of the public policy: Consumers' likes, dislikes, acceptance and non acceptances lead to many decisions in the formation of public policy by the governments and trade associations. The health warnings on the packing of cigarette, drugs and medicines are some of the examples of the government and trade associations giving in to the consumers' concerns about their own and their social health.
- 3. Formation of social marketing strategies: Social marketing involves communicating social messages, social benefits, and social ideas across to consumers rather than selling products and services. The society does require to gain an awakened outlook towards orthodox thoughts, unnecessary evils and widespread ignorance. Social organizations, nongovernmental and non profitable organizations undertake such marketing which can create awakening and enlightenment among people. Social marketing also leads to improvement in people's lives and community development. Social campaigns such as the campaigns to save water, save the tiger, save the girl child, etc., are the examples of social marketing.
- 4. Strategies to make consumer better consumers: Consumer education can come about only if the manufacturers, marketers and advertisers understand consumer behaviour. The knowledge about the usage, disposal systems, hazards and benefits of the products can be taught to the consumers to ensure their proper usage. The consumer can be educated about the malpractices and dishonest intentions of the middlemen and other unsocial activities if marketers understand consumer behaviour. For example, the recent campaign Jaago Grahak (wake up customers) is such a campaign that is spreading the message among Indian consumers that they should be aware about their rights as consumers of products and services.

UNDERSTANDING THE CONCEPT OF THE IMAGE OF SELF

Apart from inherent traits, a consumer also has an image of his own self built up by him knowingly or unknowingly over the years. This concept is partly because of the image created by his own self and partly it can be ascribed to the people he comes in contact with in his life. For example, an individual may think about himself as a good human being, a good husband, a good father, a good worker or even a good boss. But that will be his own concept of the personality of the self. At the same time, he may be looking at his own image from the perception of family, friends, colleagues, and society at large, who all will be portraying his image to him by way of their interaction with him. That is why some of the researchers into behavioural science look at the multiple personality or multiple images of the man he has about himself. It has been observed by the marketers and psychologists that a consumer chooses a product having an image that is similar to the view he has about himself. This image may not remain the same each time the person buys anything for himself. The buying behaviour of the consumer differs, depending on the role, social image generally carried by the consumer at the time and place of purchase. The study of consumers' image of self (the image that he has about himself) helps the marketers work out their marketing and advertising strategies by appreciating and evaluating the following subject matters:

- ▲ The psychology of how and what a consumer thinks, feels, perceives, reasons, and finally chooses from different alternatives of products, brands, and channels.
- The psychology of how the consumer's perceptivity gets influenced by the market and social environment, culture, family, signs, and media.
- ▲ The buying behaviour of consumers while they are shopping or when making other decisions related to the acceptance of marketing and advertising communications from the sellers.

The Self Image

A person has an image of self that spells out to him as to the kind of personality trait he possesses. The self image conveys to him other uniqueness such as habits, assets, cerebral make-up, mindset, behavioural eccentricity and reactionary reflexes. The individual accumulates and develops this image of the self over a period of time after interacting with the atmosphere, environment and people. Even though the individual possesses a unique image, the image can be the making of his own perception or it can be the making of the perception as seen by others. In other words, the self image is the perception of self in any of the forms given below:

- ▲ How do I see myself (my real self image)?
- ▲ How would I like to see myself (my ideal self image)?
- ▲ How does the society see me (my social image)?
- ▲ How I would like the society to see me (my ideal social image)?
- ▲ How I expect to see myself (my expectation of how should I see myself in near future)?

Marketers make use of all the images of the self discussed above in developing their marketing strategies and advertising campaigns. The image of the self, however, plays a larger role in depicting the need of the individual more to the marketers. The marketers know that the consumers have preferences for those products that match their image of the self, deliberately build up their advertising campaigns around such images that any man can be associated with. For example,

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the image of a macho man can go with all ages and hence the after shave products are generally associated with this kind of macho image for every man.

There are two types of self:

- 1. **The ideal self**: The ideal self is the man that he aspires to become, to create the image the individual believes is ideal to look at from different perspectives.
- 2. **The actual self:** The actual self is the real image of the man as he is actually seen by himself and by the people he associates and interacts with.
 - **Multiple selves**: A person might perceive himself to have a single self or many different images of self. The researchers have found that a person's image of the self is not a fixed concept. The image of the self is a dynamic concept. The person's idea of the self keeps changing as per the roles played by him in his day-to-day life and at different stages of his life time. The same person has different views about his self in different contexts of relationships, time, place and situations. The contextual image of the self will change with the passing of age, growth of social roles, growth of family, growth of intellectual and cerebral faculties.
 - Expansion of the image of the self into marketing: The consumers assume every product to have an individual image, which could be either congruent to the individual's image of the self or the image of the product could be contrary to the image of the self.

Marketers make use of this knowledge of the self to create their product personalities similar to the consumers' own image of the self. The marketer know that his consumers choose such products or brands that are in congruence with their own self. He does this by understanding the different roles a consumer plays and the image the consumer attaches to the product. This helps a marketer to effectively position his product. Marketers make use of tools such as Q sort, rating scale, checklist to measure an individual's image of the self. They are always interested to find whether the consumer is able to establish a link between his perceived self and the product's image.

SUMMARY

- The personality of a person is the outcome of his individual innate traits. It distinguishes one person from another. The personality of a consumer determines how and why he behaves in a particular way in the given situation.
- Another thought believes that a person's attitudes, his values in life, and the influence exerted by the people around him shape his personality.
- Personality is not a static process. It is a dynamic process of development. Individual personality is changed or personalized as a person grows up, acquires experience and education, and interacts with people.
- Personality gets modified by the happenings and events taking place in one's life. However, it doesn't change radically and many personality factors remain consistent.
- The psychoanalytic theory, proposed by Sigmund Freud, is based on the unconscious motives an individual has. It is based on the hypothesis that all human behaviour is driven by the unconscious drives that a person has. These inner motives are influenced by a person's biological drives (physiological needs).

- The neo-Freudian theorists did not subscribe to the psychoanalytic theory of Freud. The philosophers such as Carl Jung, Karen Horney, Alfred Adler, and Henry Sullivan opined that apart from unconscious biological needs, personality comes about as a result of social relationships (culture and history and other such factors).Carl Jung introduced four dichotomies: (i) sensing-intuiting, (ii) thinking-feeling, (iii) extroversion-introversion, and (iv) judging-perceiving. This theory provides greater understanding into the personality of a person from the marketing and advertising point of view.
- The Myers-Briggs Type Indicator (MBTI) model used to understand personality was developed by Isabel Briggs Myers. It uses two of the dichotomies given by Jung. They are: (i) sensing and intuiting and (ii) thinking and feeling.
- Karen Horney believed that people's personality was actually their adaptation to their culture and also a result of the defense mechanism they developed to deal with difficult relationships. This formed the basis for CAD, a tool to understand one's personality.
- CAD considers three types of people—compliant, aggressive, and detached.
- Trait theory brought the empirical approach to the personality study. This theory tries to study the personality in terms of exclusive individual characteristics called traits. The theory lists traits like (i) innovation, (ii) influence, (iii) materialism, and (iv) consumer ethnocentrism as major influencers of behaviour.
- We find from the image of the self that apart from inherent traits, a consumer chooses a product whose image is congruent to the image he has about himself. This image of the self that he has influenced his decisions about the buying of products and brands they patronize.
- The concept of self helps marketers to understand, analyse, predict and direct the buying decisions of consumers.
- The individual can have different views about his image of the self in different contexts of relationships, time and place.

OBJECTIVE TYPE QUESTIONS

- 1. The marketers need to study and understand the consumer personality in order to:
 - (a) Understand those factors that make a consumer personality
 - (b) Understand the influences that make him behave in a particular way
 - (c) Determine how and why a consumer behaves in a particular way in his buying and consuming habits
 - (d) Strategize their product development plans based on the habits and behavioural aspects as exhibited by the consumers
 - (e) All of the above
- 2. The inner psychological characteristics of the individual include:
 - (a) Attributes
 - (b) Traits
 - (c) Mannerisms
 - (d) All of the above
- 3. The main applications of consumer behaviour in marketing are:
 - (a) To undertake better marketing strategy
 - (b) To plan better marketing campaigns

- (c) Formation of social marketing strategies
- (d) To devise strategies to make consumer better consumers
- (e) All of the above
- 4. The psychology of the consumer's perceptivity gets influenced by the:
 - (a) Market
 - (b) Social environment
 - (c) Culture and family
 - (d) Media
 - (e) All of the above
- 5. Social marketing involves communicating:
 - (a) Social messages
 - (b) Social benefits
 - (c) Social ideas
 - (d) All of the above
- 6. Personality traits that have been useful in differentiating between consumer innovators and noninnovators as major influencers of behaviour include:
 - (a) Consumer innovativeness
 - (b) Consumer openness to influence
 - (c) Consumer materialism
 - (d) Consumer ethnocentrism
 - (e) All of the above
- 7. Dichotomous elements of the human mind as introduced by Carl Jung are:
 - (a) Sensing-intuiting of the human mind
 - (b) Thinking and feeling
 - (c) Judging-perceiving
 - (d) Extroversion-introversion
 - (e) All of the above
- 8. State whether the following statements are True or False:
 - (i) The inner characteristics of an individual are unique to the individual personality.
 - (ii) An individual's personality may be changed by many cultural, social, and psychological events that can occur in his life time.
 - (iii) Freudian theory works on the premise that the behaviour of every individual is driven by the unconscious drives that a person has.
 - (iv) Super ego is an individual's internal expression of moral and ethical codes of conduct as moulded and influenced by the codes imposed by society.
- 9. Fill in the blanks:
 - (a) The three interacting systems of personality as advocated by Freud are, id, super ego
 - (b) The introvert personality is a kind of personality who shies away from the company of others.
 - (c) Consumer helps marketers in identifying the consumer's attitude towards the new and innovative products.
 - (d) Consumer refers to the characteristics that can tell about the materialistic attitude of the consumer.

REVIEW QUESTIONS

- 1. Discuss the concept of consumer personality. Why is it necessary to understand consumer personality for a student of marketing?
- 2. Write a short note on non-Freudian theory of personality.
- 3. Discuss the concept of self image and its application in marketing. In what way does the concept of the self image help marketers build up their marketing communication strategies? Discuss, with the help of examples, from consumer product advertisement campaigns.
- 4. What, in your opinion, are the applications of consumer behaviour in marketing and other fields? Discuss with examples.
- 5. Write a short note on consumer ethnocentrism.

ACTIVITIES

- 1. Analyse recent advertisements of Maruti Cars, Raymond suits, and Lux supreme soaps and find out the images of the brands as being projected to the consumers. Bring out the most typical traits being addressed by each advertisement.
- 2. You can visit a fashion garment showroom in your town to understand how much role the individual personality of the individual buyer has in influencing his purchase decision. Discuss the findings in your class with reference to various personality traits discussed in this chapter.

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Answers to Objective Type Questions

1. (e) 2. (d) 3. (e) 4. (e) 5. (d) 6. (e) 7. (e)

8. (i) True (ii) True (iii) True (iv) True $% \left(\left(i\right) \right) =\left(\left(i\right) \right) \left(\left(i\right) \right) \left(\left(i\right) \right) \left(\left(i\right) \right) \left(i\right) \right) \left(\left(i\right) \left(i\right) \left(\left(i\right) \right) \left(\left(i\right) \left(i\right) \left(i\right) \left(\left(i\right) \right) \left(\left(i\right) \left(i\right$

9. (a) Ego (b) Reflective (c) Innovativeness (d) Materialism



It is very difficult for any advertiser to retain the attention of the modern youth for a longer time. The young people have a very short affiliation to any brand, product or even the mindset. In this age of electronic warfare and Internet access, the media attempts to gain and retain their attention. The wheels of media, however, find the young ones the most difficult segment to communicate with. The young ones today are quite selective in their media preference. It is, therefore, very challenging for any marketer to convey the brand message, create affinity with the young customers and manage to run any kind of customer/brand loyalty programmes. The young ones do not remain committed to the brand preference and keep switching every time a new group affinity crops up in the age cluster in which they move in their daily friendship and interaction.

The marketing of fashion and sportswear by Nike's faces a similar difficult situation in marketing and selling their products to this age group. It is quite an uphill task for the company engaged in selling sports and fashion gears. The market for the sports shoes the world over has been continuously growing. It offers to its customers (young girls and boys) a wide range of sports shoes. It has been observed by the marketers that the age group that wears sports shoes takes to any new innovation in any field very early. They generally can be counted among the early adopters and leaders of all new trends in fashion wear. The adoption at this age may not remain steadfast for a longer period, but it gives a big market segment to begin with at the time of introduction of the products in its life cycle, and growth too comes much faster than is expected by the marketers of the products.

BACKGROUND

The advent and spread of globalization has brought in a very special kind of treatment to the consumers by the manufacturers. The consumers are being pampered with the best of their choice because the companies have realized that the consumer today is no longer the customer only for the salesman across the counter. He has become the decision influencer of the companies' marketing strategies and policies for future and for their survival. "Companies or marketers cannot hire any fortuneteller to guess the consumer's attitude. Guessing or measuring the consumers' attitude is not a cake walk but this is because predicting consumers' attitude is as tough as predicting consumer's mind" (Beri, G.C., *Marketing Research*, 3rd Ed., Tata McGraw-Hill Publishing Company, New Delhi, 2004).

It has been observed by the companies that in their global operations, different consumers are using different kinds of products in each region. The consumers in every region have their own

tastes and reasons for preferences for different brands. Each customer of the company holds opinions and preferences which are different from another. It is only the retailers and local marketers in the regions who can find out the reasons and preferences for the products that the local consumers buy. For example: The south Indian food habits and tastes and preferences are different, when compared to north Indian food habits (Thomas, C, "Global Brands Require Flexible Local Network", Precision Marketing, September 2005, Vol. 17, No. 45).

Every company has to understand the importance of local tastes and preferences and then only should it apply globalize the local and localize the global in different regions across the continents. McDonald's was able to take a big share of the Indian food market because it did away with its American product line that included beef products for its American customers.

Nokia had to suffer on account of not understanding the local tastes in the wake of its policy of globalization of all brands and designs. The company had tasted success with its soap-bar designed phones. However, the company had to cease production of the flip phones that consumers found irritating to use (Zaccai, G; Global Or Local Make It Both, Business Week Online, August 22, 2005). The consumer's mind is different from one another. They are led to many decisions by their innate personality. But in many other cases, the consumers are influenced due to the physiological, demographical, social, cultural, economic, family and business factors. Philip Kotler states that "consumer behaviour is the study of how people buy, what they buy, when they buy and why they buy. It is a subcategory of marketing that blends elements from psychology, sociology, socio psychology, anthropology and economics. It attempts to understand the buyer decision-making process, both individually and in groups. It studies characteristics of individual consumers such as demographics, psychographics, and behavioural variables in an attempt to understand people needs. It also tries to assess influences on the consumer from group such as family friends, reference groups, and society in general. (Phillip Kotler, Marketing Management Analyses, Planning Implementation and Control, 8th Ed., Prentice Hall International Edition, p. 173).

Buying Decision Process

Consumers make many buying decisions every day. Companies carry out consistent and extensive research on consumer buying decision, to find out answers to some of the questions mentioned below:

- ▲ What do the consumers buy?
- ▲ Where do they buy?
- ▲ How do they buy?
- ▲ How much do they buy?
- ▲ When do they buy?
- ▲ Why do they buy a product?

In order to find answers to these and many other questions related to consumer buying, we will have to go through the different stages of decision-making. The decision-making stages that a customer has to pass through before he eventually buys a product are as given below. The consumer passes through all five stages with every purchase, but in more routine purchases, consumers often skip or reverse some of these stages (Hawkins, Del, I. Rojer, J. Best and Kenneth, A., Coney Consumer Behaviour Building Marketing Strategy, 7th Ed., McGraw-Hill, Boston, 1998).

- 1. **Need recognition:** The buying process starts when the consumer recognizes his need. The buyer's decision will be governed and influenced by his internal and external stimuli of consumer behaviour. The internal and external stimuli of consumer behaviour will guide him as to which product the consumer should purchase, how much does he want to purchase of those products that he finds reliable and usable.
- Information search: Consumers, in order to satisfy the need recognized by them, search the information from the various supply resources, e.g., personal source, commercial sources, public sources and experimental sources. This forms the process of the buying decision process, i.e., taking place before purchase of the product (Hawkins, Del, I. Rojer, J. Best and Kenneth A. Coney, *Consumer Behaviour: Building Marketing Strategy*, 7th Ed., McGraw-Hill, Boston, 1998).
- 3. The consumer can get this information related to his search for product buying from any of personal, public and commercial sources. The sources from where he can draw information are:
 - Personal source: family, friends, neighbours, acquaintance, peers, social contacts, face book pages, Internet, direct mailers, etc.
 - Commercial sources: advertising, sales people, dealers, packaging, displays, websites, promotional emails, promotional electronic pages on the Internet.
 - Public sources: mass media (e.g., electronic, print), consumer-rating organizations, etc.
 - Experimental sources: handling, examining, using of the product by himself at the point of purchase and other promotional campaigns.

Consumers receive most of the information about a product from commercial sources, which are provided and controlled by the marketers and product manufacturing companies. The most effective source, however, always remains the personal source. Personal sources become important in influencing the purchase decisions too.

- 4. **Evaluation of alternatives:** The consumer, before arriving at a purchase and brand decision, evaluates all the alternatives available to him. He looks at the product as a bundle of tangible and intangible attributes with varying manifestations, which can fulfil and satisfy his needs. The consumer pays more attention to those attributes which are connected with his needs. He is likely to develop a set of brand beliefs about where each brand stands on each attribute.
- 5. Purchase decision: At the evaluating stage, the consumer compares all the brands and develops an intention to purchase a particular product. Generally, the consumer's intention and decision is to buy the most preferred brand. The attitude of others and unexpected situation factors, both directly or indirectly, affect the consumer's final decision to buy a particular brand (Phillip Kotler, *Marketing Management: Analyses, Planning, Implementation and Control*, 8th Ed., Prentice Hall, International Edition, p. 173, 2004).
- 6. **Post purchase behaviour:** The consumer does not necessarily get satisfied when the product is bought. He has to use the product, may be at a later date, but he exhibits his post purchase behaviour immediately after having bought the product. This post purchase behaviour is the outcome of the relationship that the consumer discovers in his expectation and the subsequent satisfaction or disappointment. In case the product purchased meets the consumer's expectations, he will get satisfied. If it exceeds, he is delighted. However, in case the product fails to meet any of the expectations, it creates a dissonance in the mind of the consumer which prevents future purchase by the consumer, till such time when the seller recovers the lost confidence of the consumer in his product or services.

Nike

Nike, Inc. is a global sportswear and equipment supplier based in the United States. The company is headquartered near Beaverton, Oregon. It is the world's leading supplier of athletic and apparel and a major manufacturer of sports equipment, with revenue in excess of US\$18.6 billion in its fiscal year 2008 (ending May 31, 2008). As of 2008, it employed more than 30,000 people worldwide (http://en.wikipedia.org/wiki/Nike, _Inc accessed on 07, 02, 2011)

Founder of Nike

Nike was founded in the year 1968 by Philip H. Knight, who is currently the Owner, Chairman, and CEO of the company. Phil Knight completed his education from the University of Oregon and the Stanford Business School in 1962. As an aspiring young businessman, he decided to travel to Japan and speak to the president of "Tiger shoes." He presented himself as an American distributor of athletic equipment when he actually had nothing. He was pretty sneaky; however, he got what he wanted and began selling running shoes under the name of Blue Ribbon Sports (BRS). Once he became bored with selling shoes at sporting events from the back of his truck, he began producing his own athletic apparel, (nike/history.htm 07, 02, and 2011). He renamed his so-called company Nike and hoped for the best to happen. Within the first year, he sold \$8000.00 worth of shoes and only received a \$250.00 profit. After some time, Knight turned to his old coach from school, Bill Bowerman, for advice on what to do next. Phil Knight wanted Nike to stand out above the rest. Once Bill Bowerman came up with the idea for having traction on the bottom of shoes, Nike had finally made its mark.

The Tough Times Opened Doors of Diversification

The Nike Waffle Trainer stood out and made Nike the most unique shoe company of the 1970s. By the year 1979, Nike was the most well-known shoe company in the world. They no longer just sold shoes but sporting equipment as well. However, the joy of being on top came crashing down when Reebok surpassed Nike with the aerobic phase in athletics. In order to maintain the reputation of Nike, the world's best shoe corporation, Nike struck back by diversifying their shoes for different kinds of sports activities. Nike continued to rise in success throughout its prosperity by signing famous sports players (e.g. Michael Jordan) and using intelligent advertising tactics (nike/history.htm).

Today, Nike is a four billion dollar business that has had its ups and downs. The company takes its name from Nike (Greek *Nikn* meaning the Greek goddess of victory). Nike markets its products under its own brand as well as Nike Golf, Nike Pro, Nike+, Air Jordan, Nike Skateboarding and subsidiaries including Cole Haan, Hurley International, Umbro and Converse.

Nike also owned Bauer Hockey (later renamed Nike Bauer) between 1995 and 2008. In addition to manufacturing sportswear and equipment, the company operates retail stores under the Niketown name. Nike sponsors many high profile athletes and sports teams around the world, with the highly recognized trademarks of "Just do it" and the Swoosh logo.

Business performance

Nike is sold across approximately 28,000 retail accounts in the United States. During the fiscal year 2004 (FY04), three largest customers accounted for approximately 23% of the total sales in the United States. Outside the United States, they are selling the products in over 120 countries through retail accounts, independent distributors, licensees, subsidiaries and branch offices. They estimate that they may sell to more than 23,000 retail accounts outside the United States, excluding sales by independent distributors and licensees. Nike's three largest customers outside of the United States accounted for approximately 13 percent of non-U.S. sales (www.nikebiz.com).

Manufacturing sources

Virtually, all Nike products are manufactured by independent contract factories. The contract factory supply chain for Nike brand products involves over 800 factories. Factories move in and out of source base as orders flow from Nike, which in part reflects changing consumer tastes and fashion trends. Any factory that has not received orders for more than 12 months is unauthorized and must obtain a new approval to receive additional production orders.

Nike brand building

Nike has built itself a solid reputation in the last 30 years. The company's corporate overview relates the idyllic history of two running buddies from Oregon who grow their idea into one of the largest sports and fitness companies ever. Along the way, they have partnered with other brands such as Cole Haan, Bauer, Freedom of Choice, and most recently the Hurley brand. Nike's campaigns are usually clever. The connection is established between the brand and the product, even with vague campaigns like "play", where the logo is not all the prominent.

Products

Given below are some of the Nike's products (*Source: threshold.typepad.com, cnbc.com, accessed on 7.02.2011*).



- ▲ Nike produces a wide range of sports equipment. Their first products were track running shoes. They currently also make shoes, jerseys, shorts, baselayers, etc. for a wide range of sports including track and field, baseball, ice hockey, tennis, association football (soccer), lacrosse, basketball and cricket. *Nike Air Max* is a line of shoes first released by Nike, Inc. in 1987.
- ▲ The most recent additions to their line are the *Nike 6.0, Nike NYX*, and *Nike SB* shoes, designed for skateboarding. Nike has recently introduced cricket shoes, called *Air Zoom Yorker*, designed to be 30% lighter than their competitors. In 2008, Nike introduced the *Air Jordan XX3*, a high-performance basketball shoe designed with the environment in mind.
- ▲ Nike sells an assortment of products, including shoes and apparel for sports activities like association football, basketball, running, combat sports, tennis, American football, athletics, golf and cross training for men, women, and children. Nike also sells shoes for outdoor activities such as tennis, golf, skateboarding, association football, baseball, American football, cycling, volleyball, wrestling, cheerleading, aquatic activities, auto racing and other athletic and recreational uses. Nike is well known and popular in youth culture, chav culture and hip hop culture as they supply urban fashion clothing. Nike recently teamed up with Apple Inc. to produce the Nike product which monitors a runner's performance *via* a radio device in the shoe which links to the iPod nano.

Manufacturing

Nike has contracted with more than 700 shops around the world and has offices located in 45 countries outside the United States. Most of the factories are located in Asia, including Indonesia, China, Taiwan, India, Thailand, Vietnam, Pakistan, Philippines, and Malaysia.

Nike's marketing strategy

Marketing strategy of Nike's is the major reason for the company's success. Nike is positioned as a premium-brand, selling well-designed and expensive products. Nike lures customers with a marketing strategy centering on a brand image which is attained by distinctive logo and the advertising slogan: "Just do it".

Nike's marketing mix

Nike's marketing mix contains many elements besides promotion. These are summarized below:





Advertising

In 1982, Nike aired its first national television ads, created by newly formed ad agency Wieden+Kennedy, during the New York Marathon. This was the beginning of a successful partnership between Nike and W+K that remains intact today. The Cannes Advertising Festival has named Nike its *Advertiser of the Year* on two separate occasions, the first and only company to receive that honor twice (1994, 2003).

Nike also has earned the Emmy Award for best commercial twice since the award was first created in the 1990s. The first was for "The Morning After," a satirical look at what a runner might face on the morning of January 1, 2000 if every dire prediction about Y2K came to fruition. The second Emmy for advertising earned by Nike was for a 2002 spot called "Move," which featured a series of famous and everyday athletes in a stream of athletic pursuits.

Sponsorship

Nike promotes its products by sponsorship agreements with celebrity athletes, professional teams and college athletic teams. Nike pays top athletes in many different sports to use their products and promote/advertise their technology and design. Nike's first professional athlete endorser was Romanian tennis player Ilie Năstase, and the company's first track endorser was distance running legend Steve Prefontaine. Prefontaine was the prized pupil of the company's co-founder Bill Bowerman while he coached at the University of Oregon.

Besides Prefontaine, Nike has sponsored many other successful track & field athletes over the years such as Carl Lewis, Jackie Joyner-Kersee and Sebastian Coe. However, it was the signing of basketball player Michael Jordan in 1984, with his subsequent promotion of Nike over the course of his storied career with Spike Lee as Mars Blackmon, which proved to be one of the biggest boosts to Nike's publicity and sales.

During the past 20 years, Nike has been one of the major clothing/footwear sponsors for leading tennis players. Some of the more successful tennis players currently or formerly sponsored by Nike include: James Blake, Jim Courier, Roger Federer, Lleyton Hewitt, Juan Martin Del Porto, Andre Agassi, Rafael Nadal, Pete Sampras, Marion Bartoli, Lindsay Davenport, Daniela Hantuchová, Mary Pierce, Maria Sharapova, and Serena Williams.

Nike sponsors several of the world's top golf players, including Tiger Woods, Trevor Immelman and Paul Casey. Nike also sponsors various minor events including Hoop It Up (high school basketball) and The Golden West Invitational (high school track and field). Nike uses web sites as a promotional tool to cover these events. Nike also has several websites for individual sports, including nikebasketball.com, nikefootball.com, and nikerunning.com

Sources: This case has been adapted from http://en.wikipedia.org/wiki/Nike, _Inc, accessed on 7 February, 2011 and http://www.nike.com/,accessed on 7 February, 2011.

DISCUSSION QUESTIONS

- Discuss the steps involve in the buying decision process of a consumer with references to sports shoes.
- 2. Explain Nike's marketing mix plans as adopted by the company in this case study.

ACTIVITY

You can conduct and undertake a similar survey of some of the other sports shoes manufacturers from the website of the company and understand how their marketing strategy is different from the marketing mix strategy adopted by Nike.

Consumer Attitude

LEARNING OBJECTIVES

After reading this chapter, you should be able to:

- Know the concept and theories of attitude
- Identify the models of attitude
- Understand the attitude formation process, including the factors affecting attitude formation and the consumer mindset
- Assess how attitudes are measured
- Illustrate how the concept of attitudes may be applied to the marketing of products and services

An **attitude** is a lasting, general evaluation of people (including oneself), objects, advertisements, or issues. We call anything towards which one has an attitude an **attitude object** (A_o) . Attitudes are lasting because they tend to endure over time. Attitudes are general because these apply to more than a momentary event, such as hearing a loud noise, though you might, over time, develop a negative attitude towards all loud noises. Consumers have attitudes towards a wide range of attitude objects, from very product-specific behaviours (e.g., drinking Pepsi rather than Coca Cola) to more general, consumption-related behaviours (e.g., how often you have fizzy drinks). Attitudes help determine whom you choose to date, what music you listen to, or whether you will recycle aluminum cans. The attitudes and opinions that we hold affect our behaviour and our intentions. Marketers need to understand consumers' attitudes in a variety of circumstances, and to devise means for influencing those attitudes so that consumers adopt more positive attitudes towards the products or services on offer. In this chapter, we consider why people develop attitudes, and how they do so in different situations. We would also consider the contents of an attitude, how we form attitudes, and how we

measure them, as well as review some of the surprisingly complex relationships between attitudes and behaviour.

An attitude has three components: affect, behaviour and cognition. Affect is how a consumer feels about an attitude object. Behaviour refers to his intentions to take action about it (but, as we will discuss at a later point, an intention does not always result in an actual behaviour). Cognition is what he *believes* to be true about the attitude object. You can remember these three components of an attitude as the ABC model of attitudes, which is discussed later in the chapter. We discuss how these components contribute to the level of commitment that consumers feel towards products or services. In developing attitudes, people often rely on their pre-existing knowledge and opinions to ensure they are consistent in their beliefs. We also consider the theories of consistency and the implications these might have for developing marketing strategies. Although marketers may expect that they can increase sales by influencing consumer attitudes, this is not always necessarily the case. Sometimes, though consumers may have a more positive attitude towards certain products, this does not lead to any change in their behaviour. All these issues are discussed in this chapter.

ATTITUDE FORMATION

We all have lots of attitudes, and we do not usually bother to know how we got them. Certainly, we are not born with the conviction that, say, Pepsi is better than Coke, or that jazz music liberates the soul. From where do these attitudes come? We form an attitude in different ways, depending on the particular hierarchy of effects that is operating. As we will see in Chapter 6, we can learn about a brand based on classical conditioning, when a marketer repeatedly pairs an attitude object, such as MacDonald's, with a catchy jingle ("I'm Loving it!"). Or an attitude can be formed as the result of instrumental conditioning, when the marketer reinforces consumption of the attitude object (e.g., Take a Break, Take a Kit-Kat). Or this learning can result from a very complex cognitive process. For example, a teenager may come to model the behaviour of friends and media endorsers, such as Beyoncé, who drink Pepsi because they believe that this will allow them to fit in with the desirable lifestyle Pepsi commercials portray.

LEVELS OF COMMITMENT TO AN ATTITUDE

It is important to distinguish among types of attitudes because not all are formed in the same way.For example, a highly brand-loyal consumer such as Deepika, the golf fan, has an enduring, deeply held positive attitude toward an attitude object, and it would be difficult to weaken this involvement. However, another woman, such as Bipasha, may be a more vulnerable (emotionally weak) consumer: She may have a mildly positive attitude towards a product but be quite willing to abandon it when something better comes along. In this section, we consider the differences between strongly and weakly held attitudes and briefly review some of the major theoretical perspectives researchers use to explain how attitudes form and relate to other pre-existing attitudes we hold. Consumers vary in their *commitment* to an attitude; the degree of commitment relates to their level of involvement with the attitude object.¹ Consumers are more likely to consider brands that engender strong positive attitudes. Let us look at three (increasing) levels of commitment

- 1. **Compliance**—At the lowest level of involvement, *compliance*, a person forms an attitude because it helps in gaining reward or avoiding punishment from others. This attitude is very superficial; it is likely to change when others no longer monitor the person's behaviour or when another option becomes available. A person may drink Pepsi because the nearest corner shop sells it and it is too much trouble to go elsewhere for Coca-Cola.
- 2. **Identification**—A process of *identification* occurs when a person forms an attitude to conform to another person's or group's expectations. Advertising that depicts the social consequences of choosing some products over others is relying on the tendency of consumers to imitate the behaviour of desirable models (more on this in Chapter 9 Group Influence and Opinion Leadership).
- 3. **Internalization**—At a high level of involvement, a consumer *internalizes* deep-seated attitudes and these become part of his value system. These attitudes are very difficult to change because they are so important to the individual. For example, many consumers had strong attitudes toward Coca-Cola and reacted quite negatively when the company attempted to switch to the New Coke formula in the 1980s. This allegiance to Coke was obviously more than a minor preference for these people; the brand had become intertwined with their social identities and took on patriotic and nostalgic properties.

THEORIES PROPOUNDING ATTITUDE

There are numerous attitude theories ranging from the functional theory of attitudes highlighted by Daniel Katz in the 1960s through the theory of cognitive dissonance, self perception theory, balance or congruity theory, to the social judgment theory of Meyers-Levy and Sternthal in the 1990s. These theories are discussed in the following sections.

Functional Theory of Attitudes

Psychologist Daniel Katz developed the *functional theory of attitudes* to explain how attitudes facilitate social behaviour.² According to this pragmatic approach, attitudes exist because they serve some *function* for the person. That is, they are determined by a person's motives. Consumers who expect that they will have to deal with similar situations in future are more likely to start forming attitudes in anticipation of this event. For example ticket losses resulting from use of unauthorized agents at the recently concluded cricket world cup. The event could be linked with the loss of ticket money paid to non authorised agents for the cricket world cup. Two people can have an attitude towards some object for very different reasons. As a result, it can be helpful for a marketer to know *why* an attitude is held before attempting to change it. A summary of attitude functions is provided in Table 4.1. Although an attitude can serve more than one function, in many cases a particular one will be dominant. By identifying the dominant function a product serves for consumers—what *benefits* it provides—marketers can emphasize these benefits in their communications and packaging. Advertisements relevant to the function tend to prompt more favourable thoughts about what is being marketed and can result in a heightened preference for both the advertisement and the product.

 TABLE 4.1
 Functions of Attitudes

Function	Definition	Explanation	Example		
Instrumental function	The individual uses the attitude to obtain satisfaction from the object	The individual thus aims to maximize external reward while minimizing external punishment	An individual might develop an attitude towards a particular restaurant because his friends go there and the food is excellent		
Ego-defensive function	Protects against internal conflicts and external dangers	Here the attitude shields the individual from his own failings	Someone who is unable to understand how to use the product might have an attitude that manufacturers make products too complex		
Value- expressive function	Opposite of ego- defensive; the drive for self-expression	The attitudes expressed often go against the flow of opinion	Most radical political viewpoints fit this mould. Think about the Gulabi women in Uttar Pradesh.		
Knowledge function	The drive to seek clarity and order	Related to the need to understand what the object is all about. Comes from the belief that if you know what you like or dislike, decision-making is easy	Someone who has an interest in latest car models is likely to read magazines about them, go the autoshows and watch programmes about cars such as top gear		

Source: J. Blythe (2008), Consumer Behaviour, Thomson Learning, London.

Theory of Cognitive Dissonance

The theory of cognitive dissonance states that when a person is confronted with inconsistencies among attitudes or behaviours, he will take some action to resolve this "dissonance," perhaps by changing an attitude or modifying a behaviour. This theory has important ramifications for attitudes because situations often confront us where there is some conflict between attitudes and behaviours. According to the theory, our motivation to reduce the negative feelings of dissonance makes us find a way for our beliefs and feelings to fit together. The theory focuses on situations in which two cognitive elements clash.

A *cognitive element* can be something a person believes about himself, a behaviour he performs, or an observation about his surroundings. For example, the two cognitive elements "I know smoking cigarettes causes cancer" and "I smoke cigarettes" are *dissonant* with each other. This psychological inconsistency creates a feeling of discomfort that the smoker tries to reduce. The magnitude of dissonance depends on both the importance and number of dissonant elements. In other words, we are more likely to observe dissonance in high-involvement situations where there is more pressure to reduce inconsistencies. We reduce dissonance when we eliminate, add, or change elements. For example, a person can stop smoking (*eliminating*), or remember Great-Uncle Singh who smoked until the day he died at the age of 90 (*adding*). Alternatively, he might question the research that links cancer and smoking (*changing*), perhaps by believing industry-sponsored studies that try to refute this connection.

Dissonance theory can help to explain why evaluations of a product tend to increase after we buy the product. The cognitive element, "I made a stupid decision," is dissonant with the element, "I am not a stupid person," so we tend to find even more reasons to like something after it becomes ours. A classic study at a horse race demonstrated this *post-purchase dissonance*. It is something that tries to justify what many may consider as a stupid purchase. For example those who bought tickets from unauthorised sources would argue that had the venue not changed they might have had

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been wise spenders after all. One implication of this phenomenon is that consumers actively seek support for their decisions so that they can justify them; therefore, marketers should supply their customers with additional reinforcement after they purchase to bolster these decisions.

Self-Perception Theory

Do we always change our attitudes to be in line with our behaviour because we are motivated to reduce cognitive dissonance? The *Self-perception theory* provides an alternative explanation of dissonance effects. It assumes that we observe our own behaviour to determine just what our attitudes are, much as we assume that we know what another person's attitude is by watching what he does. The theory states that we maintain consistency by inferring that we must have a positive attitude toward an object if we have bought or consumed it (assuming that we freely made this choice). Thus, Deepika might say to herself, "I guess I must be well into cricket, as I recognize all the key players in the leading teams."

The self-perception theory is relevant to the *low-involvement hierarchy* because it involves situations where a person initially performs a behaviour in the absence of a strong internal attitude. After a purchase or 'post-purchase', the cognitive and affective components of attitude fall into line. Thus, if you buy a product out of habit, this creates a positive attitude towards it—why would you buy it if you did not like it? The theory helps to explain the effectiveness of a strategy salespeople call the *foot-in-the-door technique*; they know that a consumer is more likely to comply with a big request if he has already agreed to a smaller one. The name for this technique comes from the practice of door-to-door selling; salespeople learn to plant their foot in a door so that the prospect does not slam it on them. A good salesperson knows that he is more likely to get an order if he can persuade the customer to open the door and talk. By agreeing to do so, the customer signals that he is willing to listen to the salesperson's pitch. Placing an order is consistent with the self-perception that "I'm the kind of person who is willing to buy something from a salesperson who knocks on my door."This technique is especially useful to induce people to answer surveys or donate money to charity. Other variations of this strategy include the *low-ball technique*, where the salesperson asks the customer for a small favour and then informs him that it will be more costly than he first thought, or the *doorin-the-face technique*, where the salesperson first asks the customer to do something very demanding and then he asks the prospect to do something smaller instead. In each of these cases, people tend to go along with the smaller request, possibly because they feel guilty about refusing the larger one.

Social Judgement Theory

The social judgement theory assumes that people assimilate new information about attitude objects in the light of what they already know or feel.³ The initial attitude acts as a frame of reference, and we categorize new information in terms of this existing standard. Just as our decision that a box is heavy depends in part on the weight of other boxes we lift, we develop a subjective standard when we make judgments about attitude objects.

One important aspect of the theory is that people differ in terms of the information they will find acceptable or unacceptable. They form *latitudes of acceptance and rejection* around an attitude standard. They will evaluate ideas falling within a latitude favourably, but they are more likely to reject those falling outside of this zone. Since Deepika already had a favourable attitude towards the concept of women playing professional golf, she is likely to be receptive to ads such as Nike's that promote female athletic participation.

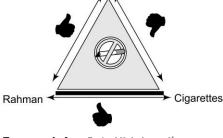
Balance or Congruity Theory

The *balance theory* or *congruity theory* considers how a person perceives relations among different attitude objects, and how he alters his attitudes so that these remain congruent (i.e. consistent) or "balanced". This perspective involves relations (always from the perceiver's subjective point of view) among three elements, so we call the resulting attitude structures *triads*. Each triad contains (i) a person and his perceptions of (ii) an attitude object and (iii) some other person or object. The theory specifies that we want relations among elements in a triad to be harmonious. If they are unbalanced, this creates tension that we are motivated to reduce by changing our perceptions in order to restore balance. We link elements together in one of the two ways: (i) They can have either a *unit relation* where we think that a person is somehow connected to an attitude object (something like a belief), or (ii) they can have a *sentiment relation*, where a person expresses liking or disliking for an attitude object. You might perceive that an engaged couple have a positive sentiment relation. On getting married, they will have a positive unit relation. If they get divorced, they sever the unit relation. To see how the balance theory might work, consider the following scenario of two childhood friends:

- 1. Faizullah and Rahman are childhood friends who like to spend time together—watch movies, share coffee and rooms anytime they go on family vacations. In balance theory terms, Faizullah has a positive sentiment relation with Rahman.
- 2. Onreaching adulthood and going to university, they decide to become roommates. However, Rahman becomes a chain smoker. He has a positive unit relation with tobacco.
- Faizullah is disgusted by the stale smell of tobacco. He has a negative sentiment relation with smokers and smoky environment.

 Faizullah

According to the balance theory, Faizullah faces an unbalanced triad. As illustrated in Figure 4.1, he will experience pressure to restore balance by altering some aspect of the triad. How can he do this? He could decide that he does not enjoy being roommates with Rahman after all. Or his closeness and attachment to Rahman could prompt him to decide that passive smoking is tolerable (bearable).



Faizullah might even try to negate the unit relation between Rahman and tobacco by deciding that he should only smoke outside the room (thus reducing the free-

FIGURE 4.1 Typical Unbalanced/ Incongruent Triad

choice element). Finally, he could choose to "leave the field" by making new roommate from his consumer behaviour class. Note that although the theory does not specify which of these routes Faizullah will choose, it does predict that he will change one or more of his perceptions to achieve balance. Although this example is an oversimplified representation of most attitude processes, it helps to explain a number of consumer behaviour phenomena. This "balancing act" is at the heart of celebrity endorsements, in which marketers hope that the star's popularity will transfer to the product. It is worth remembering that creating a unit relation between a product and a star can backfire if the public's opinion of the celebrity endorser shifts from positive to negative. This only recently happened when Tiger Woods got dropped by Gatorade and other sponsors over his infidelity.

MODELS OF ATTITUDE

Models of attitude range from the ABC (Affect, Behaviour, Cognition) model right through to the multiattribute models.

ABC Model of Attitudes

The ABC model of attitudes emphasizes the interrelationships among knowing, feeling, and doing. We cannot determine consumers' attitudes toward a product simply by identifying their beliefs about it. For example, a researcher may find that shoppers "know" a particular mobile/Smartphone has a 5 megapixel camera, dual simcard slots, is quad band and has SatNav and GPRS, but simply knowing this does not indicate whether they feel these attributes are good, bad, or irrelevant, or whether they would actually buy the camcorder. All three components of an attitude are important, but their relative importance varies depending on a consumer's level of motivation with regard to the attitude object, whether they are light or heavy users, and so on. The differences in university choice attributes are a clear illustration of how a person combines these elements in different ways to create an attitude.

Attitude researchers developed the concept of a *hierarchy of effects* to explain the relative impact of the three components. Each hierarchy specifies that a fixed sequence of steps occurs en route to an attitude. When market researchers want to assess consumers' attitudes towards coffee brands, they might simply go to a coffee shop and ask any willing customer, "How do you feel about Starbucks coffee?" However, attitudes can be a lot more complex than that. One problem is that, many attributes or qualities may link to a product or service and, depending on the individual, some of these will be more or less important. Another problem is that, when a person decides to take action toward an attitude object, his behaviour is influenced by other factors such as whether he feels that his family or friends would approve. Therefore, *attitude models* try to specify the different elements that might work together to influence people's evaluations of attitude objects.

Multiattribute Attitude Models

A simple response does not always tell us everything we need to know, either about why the consumer feels a certain way towards a product or about what marketers can do to change his attitude. Our beliefs (accurate or not) about a product are often key to how we evaluate it. So far, we have assumed that consumers develop attitudes in relation to an object. This object may be a product or a service. Consider this hypothetical situation. Think of three or four different attributes of the product or service and note down your attitude towards each attribute. While you do this, consider the case of Rajendra who seems to have mixed feelings about his Honda motorcycle. For example, Rajendra enjoys the level of comfort and speed this bike offers. He is reasonably content with its fuel consumption, but still feels the engine lacks enough power and he would also be a lot happier if it had a higher CC. His attitude to the bike is made up of some combination of our attitude towards all of these attributes. Similarly, Sumitra has a situation, e.g. dilemma with her bank. She is pleased that she enjoys easy access to her money through automated teller machines (ATMs) and that she can also do telephone and online banking. However, she is much less happy about the high rate of interest on her credit cards. Also, when she does need to visit a branch, the limited opening hours tend to pose a problem, especially during Ram Navami or Sri Rama Jayanti.* Again, her attitude is made up of some combination of attitudes towards all of these attributes.

^{*} See iloveindia.com online at: http://festivals.iloveindia.com/ram-navami/

Since attitudes are so complex, marketing researchers may use *multi attribute attitude models* to understand them. This type of model assumes that a consumer's attitude toward an attitude object (A_{a}) depends on the beliefs he has about several of its attributes. When we use a multiattribute model, we assume that we can identify these specific beliefs and combine them to derive a measure of the consumer's overall attitude. We describe how these models work by using the example of a consumer evaluating a complex attitude object that should be very familiar to you-choice of university. Basic multiattribute models specify three elements:4

- 1. Attributes are characteristics of A_{o} . A researcher would try to identify the attributes that most consumers would use when they evaluate A_{a} . For example, one of a college's attributes is its scholarly reputation.
- 2. Beliefs are cognitions about the specific A_{a} (usually relative to others like it). A belief measure assesses the extent to which the consumer perceives that a brand possesses a particular attribute. For example, a student might believe that the IIM in Kolkata is strong academically.
- 3. Importance weights reflect the relative priority of an attribute to the consumer. Although people might consider an A_o on a number of attributes, some are likely to be more important than others (i.e., they will give them greater weight). Furthermore, these weights are likely to differ across consumers. In the case of universities, for example, one student might stress research opportunities, whereas another might assign greater weight to athletic programmes.

The Fishbein Model

The most influential multiattribute model is called the Fishbein model, named after its primary developer. The model measures three components of attitude:

- 1. Salient beliefs people have about an A_{a} (i.e., those beliefs about the object a person considers during evaluation).
- 2. *Object-attribute linkages*, or the probability that a particular object has an important attribute.
- 3. *Evaluation* of each of the important attributes.

Note, however, that the model makes some assumptions that may not always be warranted. It assumes that we have been able to adequately specify all of the relevant attributes that, for example, a student uses in evaluating his choices about which college to attend (see Exhibit 4.1). The model also assumes that the student will go through the process of identifying a set of relevant attributes, weighing them, and summing them. Although this particular decision is likely to be highly involving, it is still possible he will instead form an attitude according to an overall affective response. By combining these three elements, we compute a consumer's overall attitude toward an object (we will see later how researchers have modified this basic equation to increase its accuracy). The basic formula is:

$$A_{ijk} = \Sigma \beta_{ijk} I_{ik}$$

where A = a particular consumer's (k's) attitude score for brand j

i = attribute

j = brand

k = consumer

 β = consumer k's belief regarding the extent to which brand j possesses attribute i

I = the importance weight given of attribute*i*by consumer k

The overall attitude score (A) is usually derived by multiplying a consumer's rating of each attribute for all of the brands he considered by the importance rating for that attribute.

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Exhibit 4.1

BUSINESS EDUCATION IN INDIA

The popularity of the MBA degree and diplomas has increased demand for good Business Schools in India and both the Government of India and the private sector are actively participating in increasing the number and quality of education of these management colleges in India.

At present, six Indian Institutes of Managements (IIMs), specialized autonomous institutes of the government of India, are located in Ahmedabad, Lucknow, Kolkata, Bangalore, Indore and Kozhikode. Among these institutions, Ahmedabad has consistently topped the list of top business schools in India of various surveys. The University has established itself as one of the best business schools in the Indian sub-continent and South Asian region. The rest of the IIMs also come in the list of top ten business schools in India of various B school surveys of India. However, various private sector business schools in India have also been to provide quality management education in the country.

Most of these business schools are concentrated in the major cities of the country. Mentioned in alphabetical order, Chennai, Delhi, Hyderabad and Mumbai are the major attractions for students who want to pursue a career in a management college in the country. However, the course fees of most of these institutions are also very high. Faced with these trade-offs, potential students may be caught in a dilemma in university choice, which may also require some attitudinal considerations.

Source: Adapted from the India Education website online at: http://www.indiaedu.com/top-educational-institutes/top-business-schools/, accessed on March 25, 2011

Basic Multiattribute Model and University Decision

To see how this basic multiattribute model might work, let us suppose we want to predict which college a high school senior is likely to attend. After months of waiting anxiously, Aishwarya gets accepted to four universities. Because she must now decide among these, we would first like to know which attributes Aishwarya will consider when she forms an attitude towards each university. We can then ask Aishwarya to assign a rating regarding how well each university performs on each attribute and also determine the relative importance of the attributes to her. By summing scores on each attribute (after weighting each by its relative importance), we compute an overall attitude score for each school. Table 4.2 shows these hypothetical ratings. Based on this analysis, it seems that Aishwarya has the most favourable attitude towards Ahmedabad, as she ranks staff/ faculty/research profile as well as library facility higher than say sports (in the case of Bangalore) or proximity to home in the case of Indore.

These importance weights have also been used for consumer preferences for motor cycles in rural India (see Case 1, Chapter 1).

Theory of Reasoned Action

Due to the limitations of the Fishbein model and in order to improve its predictive ability, some researchers^{5,6} have sought to extend it by introducing a newer version known as the *theory of reasoned action*. This model contains several important additions to the original, and although the

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Beliefs (B)						
Attribute (i)	Importance (I)	Bangalore	Kolkata	Lucknow	Indore	Ahmedabad
Staff/faculty/research profile	10	9	9	6	4	10
Range of study options	9	6	7	6	6	8
Year of establishment	8	6	7	7	6	7
Library facility	7	7	6	6	5	9
Sports and other activities	6	10	7	6	5	6
Proximity to home (including psychic distance)	5	6	5	7	9	7
Total*		321	329	289	248	355

TABLE 4.2 Aishwarya's University Choice

*The calculation of total multiattribute score is based on the score out of ten (i.e. between 1 and 10) for a given university, multiplied by the importance of the attribute (staff/faculty/research profile, library facility, year of establishment, proximity to home (including psychic distance), sports and other activities, etc). Furthermore, these hypothetical ratings are scored from 1 to 10, and higher numbers indicate "better" standing on an attribute. For a negative attribute (e.g., cost), higher scores indicate that the school is believed to have "less" of that attribute (i.e., to be cheaper).

model is still not perfect, it does a better job of prediction. Let us look at some of the modifications to this model. Like motivations (to be discussed in Chapter 5), attitudes have both *direction* and strength. A person may like or dislike an attitude object with varying degrees of confidence or conviction. It is helpful to distinguish between firmly held attitudes and those that are more superficial, especially because a person who holds an attitude with greater conviction is more likely to act on it. One study on environmental issues and marketing activities found, for example, that people who express greater conviction in their feelings regarding environmentally responsible behaviours such as recycling show greater consistency between attitudes and behavioural intentions.⁷

Social Pressure

Perhaps, most importantly, the theory of reasoned action acknowledges the power of other people to influence what we do. Much as we may hate to admit it, what we think others would *like*us to do may override our own preferences. Some research approaches try to assess the extent to which people's "public" attitudes and purchase decisions might be different from what they would do in private. For example, one firm uses a technique it calls "engineered theatre." Researchers go to the actual site where people use a product, such as a bar. They arrange for the bartender to "mistakenly" serve the wrong drink and then observe the consumer's "raw response" to the new brand and his reaction to consuming the brand in a social context.

Returning to Aishwarya's university choice, you can see in Table 4.2 that she was very positive about going to a predominantly sports university. However, if she felt that this choice would be unpopular, she might ignore or downgrade this preference when she made her decision. Researchers added a new element, the subjective norm (SN), to account for the effects of what we believe other people think we should do. They measure SN using two factors: (i) the intensity of a normative belief

(NB) that others believe an action should be taken or not taken and (ii) the *motivation to comply* (MC) with that belief (i.e., the degree to which the consumer takes others' anticipated reactions into account when he evaluates a purchase).

Attitude Towards Buying

The newer model also measures **attitude towards the act of buying** (A_{act}) , rather than only the attitude towards the product itself. In other words, it focuses on the perceived consequences of a purchase. Knowing how someone feels about buying or using an object turns out to be more valid than merely knowing the consumer's evaluation of the object itself.⁸ To understand this distinction, consider a marketing researcher who wants to measure university students' attitude towards photocopying entire textbooks as opposed to buying the recommended textbooks. Although many students he interviews would probably report a positive attitude towards buying the textbooks, can she conclude from these responses that they will all buy rather than make copies? He might get more accurate results simply by asking the same students how likely they are to *buy* textbooks. A person might have a positive A_o towards copyright infringement, but A_{act} might be negative because of the embarrassment involved.

Limitations of Theory of Reasoned Action

Sometimes researchers use the model in ways it was not intended or where certain assumptions about human behaviour may not be warranted.⁹ Other obstacles to predicting behaviour include the following:

- ▲ The basic assumption that behaviour is intentional may be invalid in a variety of cases, including impulsive acts, sudden changes in one's situation, novelty seeking, or even simple repeat buying. One study found that such unexpected events as having guests, changes in the weather, or reading articles about the healthfulness of certain foods significantly affected actual behaviours.¹⁰
- ▲ The model deals with predicting actual behaviour (e.g., taking a diet pill), not with the *outcomes* of behaviour that some studies assess (e.g., losing weight).
- ▲ Some outcomes are beyond the consumer's control, for example, when the purchase requires the cooperation of other people. For instance, a woman might *want* to get a mortgage, but this intention will be worthless if she cannot find a banker to give her one.
- ▲ Measures of attitude often do not really correspond to the behaviour they are supposed to predict, either in terms of the A_o or when the act will occur. One common problem is a difference in the level of abstraction researchers employ.
- ▲ A similar problem relates to the *time frame* of the attitude measure. In general, the longer the time between the attitude measurement and the behaviour it is supposed to assess, the weaker the relationship will be. For example, predictability improves greatly if we ask a consumer the likelihood that he would buy a house in the next week as opposed to in the next five years.
- We form stronger and more predictive attitudes through direct, personal experience with an A_o than those we form indirectly through advertising.¹¹ According to the *attitude accessibility* perspective, behaviour is a function of the person's immediate perceptions of the A_o , in the context of the situation in which it is encountered. An attitude will guide the evaluation of the object but *only* if it is activated from memory when the person encounters the object. These findings underscore the importance of strategies that induce trials (e.g., by widespread product

sampling to encourage the consumer to try the product at home, by taste tests, test drives, etc.) as well as those that maximize exposure to marketing communications.¹²

The Western application or configuration of the theory of reasoned action simply implies that its key assumptions may not be readily transferrable and/or applicable in other contexts such as South Asia. This is because there are several cultural roadblocks that would serve to diminish the universality of the theory:

- 1. The model tries to predict the performance of a voluntary act. Across cultures, however, many consumer activities, such as career choices (e.g. becoming professional cricketer or Bollywood actress) or even choosing a marriage partner, may not necessarily be a voluntary practice.
- 2. The relative impact of subjective norms may vary across cultures. For example, Asian cultures tend to value conformity and "face saving," so it is possible that subjective norms that involve the anticipated reactions of others to the choice will have an even greater impact on the behaviour for many Asian consumers.
- The model measures behavioural intentions and thus presupposes that consumers are actively 3. thinking ahead and planning future behaviours. The intention concept assumes that consumers have a linear time sense; they think in terms of past, present, and future.

Another perspective tries to address some of these problems by focusing instead on consumers' goals and what they believe they have to do to attain them (i.e. theory of trying).

The Theory of Trying

The *theory of trying* states that the criterion of behaviour in the reasoned action model should be replaced with *trying* to reach a goal. This perspective recognizes that additional factors might intervene between intent and performance-both personal and environmental barriers might prevent the individual from attaining the goal. For example, a person who intends to lose weight may have to deal with numerous issues: He may not believe he is capable of slimming down; he may have a roommate who loves to cook and who leaves tempting goodies lying around the apartment; his friends may be jealous of his attempts to diet and encourage him to give it up; or he may be genetically predisposed to obesity and cutting down on calories simply will not produce the desired results.

The theory includes several new components that attempt to account for the complex situations in which many factors either help or hurt our chances of turning intentions into actions. These factors include the amount of control the person has over the situation, his expectations of success or failure in achieving the goal, social norms related to attaining the goal, and his attitude towards the process of trying. Other new variables include the frequency and recency of past trying of the behaviour—for example, even if a person does not have specific plans to go on a diet in the next month, the frequency with which he has tried to do so in the recent past would be the best predictor of future attempts to shed some kilogrammes. To predict whether someone would try to lose weight, here are a few sample issues that a researcher might address:

- 1. The process—Would the diet make him uncomfortable or depressed?
- 2. Expectations of success and failure—Did he believe it likely that he would be able to lose weight if he tried?

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- 3. *Subjective norms toward trying*—Would the people who are important to him approve of his efforts to lose weight?
- 4. Past frequency-How many times in the past year did he try to lose weight?
- 5. Recency—Did he try to lose weight in the past week?
- 6. *Beliefs*—Did he believe he would be healthier if he lost weight?
- 7. *Evaluations of consequences*—Did he believe his wife would be happier if he succeeded in losing weight? Did he believe his friends would make fun of him if he tried but failed to lose weight?

In a bid to get a better grasp of these examples, it would be necessary to connect them with some key learning concepts which are also covered in more detail in Chapter 6.

LEARNING HIERARCHIES

Standard Learning Hierarchy

Deepika's positive attitude towards women's golf closely resembles the process by which we construct most attitudes. In this sequence, a person like Deepika approaches a product decision as a problem-solving process. First, she forms beliefs about a product by accumulating knowledge (*beliefs*) regarding relevant attributes. Next, she evaluates these beliefs and forms a feeling about the product (*affect*).Over time, Deepika assembled information about the sport, began to recognize the players, and learned which were superior to others. Finally, based on this evaluation, she engages in a relevant behaviour, such as buying the product or supporting a particular team by wearing its jersey. This careful choice process often results in the type of loyalty Deepika displays; she "bonds" with the product over time and it is hard to persuade her to experiment with other brands. The *standard learning hierarchy* assumes that a consumer is highly involved in making a purchase decision. The person is motivated to seek out a lot of information, carefully weigh alternatives, and come to a thoughtful decision.

Low-Involvement Hierarchy

In contrast to Deepika, Bipasha's interest in the attitude object (women's golf) is at best lukewarm. She is not particularly knowledgeable about the sport, and she may have an emotional response to an exciting game but not to a specific team. Bipasha is typical of a consumer who forms an attitude via the *low-involvement hierarchy of effects*. In this sequence, initially she does not have a strong preference for one brand over another, but instead she acts on the basis of limited knowledge and then she forms an evaluation only *after* she has bought the product.¹³ The attitude is likely to come about through behavioural learning; good or bad experiences reinforce her initial choice. Bipasha will probably be more likely to watch future tournaments like the Women's Open she was watching.

The possibility that consumers simply do not care enough about many decisions to carefully assemble a set of product beliefs and then evaluate them is important. This implies that all our concerns about influencing beliefs and carefully communicating information about product attributes often may be wasted. Consumers are not necessarily going to pay attention anyway; they are more likely to respond to simple stimulus–response connections when they make purchase decisions. One consolation for marketers is the belief that under this low-involvement situation, consumers

are not motivated to process many complex, brand-related information, but would rather be swayed by behavioural learning processes such as the simple responses that conditioned brand names or point-of-purchase displays elicit as discussed in more detail in Chapter 6 on learning and memory.

Experiential Hierarchy

Some researchers stress the significance of emotional responses as a central aspect of an attitude. According to the *experiential hierarchy of effects*, consumers act on the basis of their emotional reactions. So, Priyanka simply enjoys watching the tube with her friends, regardless of what is on. The experiential perspective highlights the idea that intangible product attributes, such as package design, advertising, brand names, and the nature of the setting in which the experience occurs, can help shape our attitudes towards a brand. We may base these reactions on hedonic motivations, such as whether using the product is exciting (like the Nintendo Wii). Even the emotions the communicator expresses have an impact. A smile is infectious; in a process we term emotional *contagion*, messages happy people deliver enhance our attitude towards the product.¹⁴ Numerous studies indicate that the mood a person is in when he is exposed to a marketing message influences how he will process the ad, the likelihood that he will remember the information he sees, and how he will feel about the advertised item and related products in the future. One important debate about the experiential hierarchy concerns the independence of cognition and affect. Indeed, the cognitiveaffective model argues that an affective judgment should be the last step in a series of cognitive processes where earlier steps include the sensory registration of stimuli and retrieving meaningful information from memory to categorize these stimuli. A general understanding of these concepts should enable marketers understanding consumer attitudes if they intend to change these favourably. In the next section, therefore, we discuss the key strategies of attitude change.

ATTITUDE CHANGES

As we have already identified at the beginning of this chapter, marketers need to understand consumers' attitudes in order to devise means for influencing those attitudes so that consumers adopt more positive attitudes towards their products or services on offer. In a bid to establish whether prior held beliefs and/or attitudes can change or have been changed favourably, there is a need to devise means of measuring any such changes as we shall see in this section.

Measuring Attitude Changes

An attitude survey is like a snapshot taken at a single point in time. It may tell us a lot about a brand's position at that moment, but it does not permit many inferences about the progress the brand has made over time or any predictions about possible future changes in consumer attitudes. To accomplish that, researchers develop an *attitude-tracking* programme, which involves collecting attitudinal data at periodic intervals, and thereby helping researchers to sharpen their predictions because they can analyse attitude trends over an extended period. *Attitude tracking* involves administering an attitude survey at regular intervals. Preferably, researchers use the identical methodology each time so that they can reliably compare results. Several syndicated services, such as the Gallup Poll or the Yankelovich MonitorTM, track consumer attitudes over time.

Attitude tracking is extremely valuable for many strategic decisions. For example, one firm monitored changes in consumer attitudes toward one-stop financial centres. Although a large number of consumers were warm to the idea when it first came out, the number of people who liked the concept did not increase over time despite the millions of dollars the company invested in advertising to promote the centres. This finding indicated some problems with the way they were presenting the concept to consumers, and the company decided to "go back to the drawing board," eventually coming up with a new way to communicate the advantages of this service. Some of the dimensions of attitude tracking include the following:

- ▲ Changes in different age groups—Attitudes tend to change as people age (a *life-cycle effect*). In addition, *cohort effects* occur, whereby members of a particular generation tend to share certain outlooks (e.g., the blackberry or twitter generation). Also, we may observe historical effects as large groups of people are affected by profound cultural changes (such as the credit crunch and global financial crisis and job losses which increases the level of unemployment especially for fresh graduates).
- ▲ *Scenarios about the future*—esearchers frequently track consumers in terms of their future plans and confidence in the economy. These measures can provide valuable data about future behaviour and yield insights for public policy. For example, recent Arab graduates tend to overestimate how much they will earn in the public rather than the private sector, which is a potentially dangerous miscalculation.
- ▲ *Identification of change agents*—Social phenomena can alter people's attitudes towards basic consumption activities over time, as when consumers' willingness to buy changes or attitudes towards the changing face of societies captured by Turkish Nobel laureate in Literature, Orhan Pamuk's views on Turkey's struggle with modernity in his masterpiece *The Museum of Innocence*.¹⁵

Strategies for Attitude Reinforcement and Change

Have you ever said to yourself, "I must stick with this brand because it works well with me and many of my friends think it suits me?" Have you ever had a change of attitude towards any product or service in the past? If the answer to any of these is yes, then you have been involved in the phenomena described as attitude reinforcement and change. What role can marketers' play in making these happen? See Exhibit 4.2 for an illustration of Reddy's experience with *Zavvi*, the online entertainment retailer.

How do you think Reddy's attitude towards Zavvi may have been affected? If he was a wary consumer distrusting online purchases, do you think his fears may have been confirmed and hence his negative attitude reinforced?

Attitude reinforcement and/or change can cut across products such as Reddy's purchase of movies online, to even the consumption of health services. As Panter-Bricka et al¹⁶ once argued that "effective behaviour change is difficult to initiate and sustain, even where communities are well informed about simple means of health promotion or harm reduction." Whether aiming to encourage people to use condoms, give up smoking, increase physical activity and eat more nutritious food, or promote better hygiene, child care and education.* Indeed, there are remarkably

^{*}See Adams & White, 2003; Curtis et al (2001). V. Curtis, B. Kanki, S. Cousens, V. Diallo, A. Kpozehouen, and M. Sangare *et al.*, Evidence of behaviour change following a hygiene promotion programme in Burkina Faso, *Bulletin of the World Health Organization*, 79(2001) (6), pp. 518–527.

Exhibit 4.2

COULD THIS CHANGE YOUR ATTITUDE?

Reddy ordered a movie on Blu-Ray from the online entertainment retailer Zavvi on July 2. Zavvi charged his credit card for the purchase price of £8.45 on July 8, which was unusual considering that the order had not been dispatched at this point.

By July 14, the order had still not been dispatched so he contacted Zavvi querying why this was, when his card had already been charged. He received a reply on July 15 stating that they expected to dispatch the order within the next 24–48 hours.

On July 20, the order was still showing as pending dispatch, so he cancelled it and proceeded to order the item elsewhere. He received an e-mail from Zavvi confirming the order had been cancelled, which stated: "We can confirm that the cancellation for the products listed below has been successful. Your card has not been charged for these items."

He knew his credit card had been charged and the statement in the cancellation e-mail was incorrect. Consequently, he put a query in about this on July 21. On July 29, he still hadn't received a response, so he sent a follow-up e-mail the same day. At the time of writing, there has still been no response or refund from Zavvi.

Source: Adam Phillips (Yahoo Finance, 26 August 2011), 'What can you do if online purchases don't show up?', Online at: http:// uk.finance.yahoo.com/news/What-online-purchases-show-yahoofinanceuk-2388880272.html, accessed on August 28, 2011.

few examples of truly successful health interventions, where the measure of success is a behaviour change that is acceptable, affordable, effective, sustainable and generalizable. Indeed, as the case of Reddy demonstrates, attitude reinforcement and/or change cannot be detached from the concept of consumer satisfaction or dissatisfaction as satisfied consumers may experience reinforcement in their positive attitudes towards a product, ad or experience. Such positive reinforcements are also bound to generate consumer loyalty.

Consumer Satisfaction and Online Consumer Behaviour

You must have heard or read that distance learning or online university degrees are usually considered (especially by employers) to be sub-standard to traditional (on-site) degrees (see end-of-chapter case). This is usually because one is never too sure of who is at the other end of the electronic interface. While this may be a legitimate argument, it is also worth recalling that most purchases made over the phone are just as risky as online purchases. For deeper insights on how consumers establish whether they are satisfied or not while shopping online, see the following sources: Kim, 2002; Ng, 2003; Yavas, 2003; Lee and Littrell, 2005; Madichie and Blythe, 2011.

Consumer Satisfaction

The satisfaction process is especially important to savvy marketers who realize that the key to success is not selling a product one time, but rather forging a relationship with consumers to ensure that they keep coming back. Our overall feeling about a product after we have purchased it obviously plays a big role in our future behaviour. It is a lot easier to sell something once than to sell it again if it was a major success or complete sell-out. We all evaluate the things we buy

as we use them and integrate them into our daily consumption activities. In a sense, each of us is a product reviewer regardless of whether we write down these thoughts or not. Companies that provide satisfaction do more than good deeds, delivering good service also provides a competitive advantage. A recent 5-year study of customer satisfaction in the Canadian banking industry provides typical results which showed that banks with better service provisions tended to command a larger "share of wallet" than their rivals—i.e., their customers entrusted them with a larger proportion of their money.^{17, 18} Good marketers are constantly on the lookout for reasons why their customers might be dissatisfied so they can try to improve their experiences.¹⁹

Tackling customer dissatisfaction. If you are not happy with a product or service, what can you do about it? You have three possible courses of action—though sometimes you can take more than one (for details see Gilly and Gelb, 1982; Singh, 1988):

- 1. Voice response: You can appeal directly to the retailer for redress (e.g., a refund).
- 2. Private response: You can express your dissatisfaction to friends and boycott the product or the store where you bought it.
- 3. Third-party response: Like the pantsless judge, you can take legal action against the merchant, register a complaint with the Better Business Bureau, or perhaps write a letter to the newspaper.

In one study, business majors wrote complaint letters to companies. When the company sent a free sample in response, this significantly improved their feelings about the company. This did not happen, however, when they only received a letter of apology but no swag. Even worse, students who got no response reported an even more negative image than before, indicating that *any* kind of response is better than none (for further study, see Clark et al., 1992). A number of factors influence which route to dealing with dissatisfaction we will choose. People are more likely to take action for expensive products such as household durables, cars, and clothing than for inexpensive products. Ironically, consumers who are satisfied with a store in general are more likely to complain if they experience something bad; they take the time to complain because they feel connected to the store. Older people are more likely to complain, and they are much more likely to believe the store will actually resolve the problem. Shoppers who get their problems resolved feel even *better* about the store than if nothing had gone wrong (for further reference, see Speer, 1996).However, if the consumer does not believe that the store will respond well to a complaint, the person will be more likely to simply switch than fight (for further reference, see Richins, 1987).

Online Consumer Behaviour

A unique characteristic of online shopping environments is that they allow for the implementation of very high degrees of *interactivity* (see for details Haubl and Trifts, 2000). Interactivity is a multidimensional construct, the key facets of which include reciprocity in the exchange of information, availability of information on demand, response contingency, customization of content, and real-time feedback. In order to understand the full extent of online consumer behaviour in India, it is worth looking into the development of the Internet in the region.

The Internet in India The Internet boom in India has become one of the major contributors to the economic growth of the country. The use of Internet has increased more than 11 times in the last seven years (see Kumar & Kumar 2010). This rise has led to the growth of cybercafés and Internet parlours throughout India with easy accessibility and cost-effective services helped by the enhanced speed of the Internet. The number of Internet users since 2000 has increased by a

staggering 69 times in the metropolitan areas and 33 times in the semi-urban towns. The Internet boom in India is still on the rise at present, and as per the trends it should continue on its path of glory until things might change. With the rapid development in the IT sector, almost all of the libraries in engineering, management or medical institutions have started using electronic information resources—and the Internet to provide better services to their users. Indeed, it has been pointed out that electronic information sources and more particularly Internet resources have become an increasingly substantial component of academic library collections over the last decade (see Kumar & Kumar 2010).

Online decision-making Online shopping phenomena are governed by a number of consumer acceptance and behaviour characteristics and grounded in theoretical aspects of consumer decisionmaking. There are a number of factors that affect what we buy, when we buy, and why we buy. In reference to buying online, the factors that influence consumers are marketing efforts, socio-cultural influences, psychological factors, personal questions, post-decision behaviour, and experience (see Madichie and Blythe, 2011). Would you consider shopping for your everyday goods online? Talking of books, toys, mobile phones, electronics and a host of other household goods and accessories without paying international shipping charges? Now your wait is over - the global online retailer, Amazon is only a "Click Away" from entering India. Precisely 11 days after e-retailing site eBay. com bought Baazee.com in India on 31 January 2005 and converted it into eBay.in, rival Amazon. com rushed to register Amazon.in, its Indian website. The move was construed as the world's largest e-retailer's intention to enter the Indian market, but that was not to be for almost seven years until now (see BusinessWorld, 5 Sept. 2011). Over the past few months, however, various teams from the \$34.2-billion Amazon.com have held several rounds of negotiations with suppliers, headhunters and real estate developers for an imminent entry into the Indian market. Amazon has also reportedly held discussions with Indian e-commerce upstarts such as Flipkart, Letsbuy and Tradus, who fancy their chances as early movers and have fashioned themselves on the "Amazon model"---only time will tell what all this means for the South Asian region.

SUMMARY

- An *attitude* is a predisposition to evaluate an object or product positively or negatively. We form attitudes towards products and services that often determine whether we will purchase them or not.
- Three components make up an attitude: beliefs, affect, and behavioural intentions.
- Attitude researchers traditionally assumed that we learn attitudes in a fixed sequence: First we form beliefs (*cognitions*) about an attitude object, then we evaluate that object (*affect*), and then we take some action (*behaviour*). Depending on the consumer's level of involvement and the circumstances, though, his attitudes can result from other hierarchies of effects as well. A key to attitude formation is the function the attitude holds for the consumer, e.g., is it utilitarian or ego defensive?
- One organizing principle of attitude formation is the importance of consistency among attitudinal components—that is, we alter some parts of an attitude to be in line with others. Such theoretical approaches to attitudes such as *cognitive dissonance theory, self-perception theory*, and *balance theory* stress the vital role of our need for consistency.
- We use attitude models to identify specific components and combine them to predict a consumer's overall attitude towards a product or brand.

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- Multiattribute attitude models underscore the complexity of attitudes; they specify that we identify and combine a set of beliefs and evaluations to predict an overall attitude. Researchers have integrated factors such as subjective norms and the specificity of attitude scales into attitude measures to improve predictability.
- Attitudes are not engraved in stone. They are subject to change—either positively or negatively. When they are changed, the degree to which this change is effected can be considered as attitude reinforcement which can also be positive or negative.

OBJECTIVE TYPE QUESTIONS

- 1. The functional theory of attitudes was initially developed to explain how
 - (a) People identify products
 - (b) Attitudes facilitate social behaviour
 - (c) People reject certain classes of products without rational reasons
 - (d) Global marketing can deal with cultural changes around the world
- 2. A predisposition to respond to an advertisement in a favourable or unfavourable manner is referred to as a(n).
 - (a) Advertisement potential
 - (b) Attitude towards the advertisement
 - (c) Promotional synergism
 - (d) Promotional influence
- 3. When a person says that he really likes the colour of a new fashion, he is expressing a(n)
 - (a) Belief
 - (b) Personality function
 - (c) Attitude
 - (d) Physical feature
- 4. Which theory of attitudes assumes that people use observations of their own behaviour to determine what their attitudes are?
 - (a) Theory of cognitive dissonance
 - (b) Theory of affective disjunction
 - (c) Self-perception theory
 - (d) Social judgment theory
- 5. Which theory of attitudes assumes that people assimilate new information about attitude objects in the light of what they already know and feel?
 - (a) Theory of cognitive dissonance
 - (b) Theory of affective disjunction
 - (c) Social judgement theory
 - (d) Self-perception theory
- 6. The balance theory perspective involves relations among three elements (a triad). Which of the following is one of the elements of the triad?
 - (a) A person and his perceptions
 - (b) The marketer and their strategy of image building
 - (c) Advertising agencies
 - (d) Sub-conscious motives

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- 7. Sunitha is using a *multiattribute attitude model* to make a decision on which college to attend. She has decided that scholarly reputation is more important than whether the college has a good sports programme. Which of the following elements is Sunitha primarily using in her multiattribute attitude model to make her decision?
 - (a) Attributes
 - (b) Beliefs
 - (c) Importance weights
 - (d) Goals

REVIEW QUESTIONS

- 1. We sometimes enhance our attitude towards a product after we buy it. How does the theory of cognitive dissonance explain this change?
- 2. Based on your understanding of the balance theory or congruity theory, how can you tell if a triad is balanced or unbalanced? How can consumers restore balance to an unbalanced triad?
- 3. Describe the following, listing their key components:
 - (a) Multiattribute attitude model
 - (b) The theory of reasoned action
 - (c) Attitude tracking

ACTIVITIES

- 1. Conduct a consumer survey to determine how many of your peers support any sports team. Your aim is to establish how long that support has been as well as why they choose to support that particular team. Link your findings to the attitude theories and/or concepts you have learned in this chapter.
- 2. Suppose you were the director of marketing for the Indian Institute of Management in Kozhikode, another choice Aishwarya was considering. How might you use the data from this analysis to improve your image?

HINTS ON HOW TO ANALYSE STUDENT ACTIVITIES

- A paper has been written on a similar subject on how to cultivate fans depending on their degree of involvement with a particular sport. In the case of UAE football, see the following link for guidance: http://www.aus.edu/conferences/symp_sbm/docs/marketing/Getting%20Fans%20Past%20the%20 Turnstiles%20-%20Madichie.pdf
- 2. There are four possible ways in which this can be achieved:
 - (a) Capitalize on relative advantage. If prospective students view one brand as superior on a particular attribute, a marketer needs to convince consumers such as Aishwarya or potential students that this particular attribute is important. For example, although Aishwarya rates Bangalore's sports facilities highly, she does not believe this attribute is a valued aspect for a university. As Bangalore's marketing director, you might emphasize the importance of an active social life, varied experiences, or even the development of future business contacts that a student forges when he makes strong college friendships through sports.

- (b) Strengthen perceived product/attribute linkages. A marketer may discover that consumers do not equate his brand with a certain attribute. Advertising campaigns often address this problem when they stress a specific quality to consumers, e.g., "new and improved library". Aishwarya apparently does not think much of Indore's library facilities. You might develop an informational campaign to improve these perceptions, e.g., "little known facts about Indore".
- (c) Add a new attribute. Product marketers frequently try to distinguish themselves from their competitors by adding a product feature. Kolkata might try to emphasize some unique aspect, such as a hands-on internship programme for business majors that takes advantage of ties to the local community.
- (d) Influence competitors' ratings. Finally, you might try to decrease your competitors' higher ratings by using a comparative advertising strategy. In this case, you might publish an advertisement that lists the tuition fees (see Exhibit 4.1) of a number of university options, compares favourably and emphasize, the value for the money its students get by attending Ahmadabad.

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	Answers to Objective Type Questions						
1.(b)	2.	(b) 3.	(c) 4.	(c) 5.	(c) 6.	(a) 7.	(c)



A glance through the contents of a new book by Taylor Walsh entitled "Unlocking The Gates" that focuses primarily on efforts by top US universities, including the likes of the prestigious MIT, Carnegie Mellon, and Yale, to offer their courses online, I was pleased to see a case study from another country.

The above is excerpted from a recent article in the *Chronicle of Higher Education* written by Ben Wildavsky, a senior fellow in research and policy at the Ewing Marion Kauffman Foundation and author of *The Great Brain Race: How Global Universities Are Reshaping the World*. His commentary reflects on the notion why US online course provisions are often viewed as offering opportunities for learners from across the world to take advantage of Western educational resources—albeit without earning degrees. In his review of "Unlocking The Gates", Wildavsky pointed out that the book devoted a chapter to India's National Programme on Technology Enhanced Learning (NPTEL), a home-grown effort to meet the country's urgent need to improve both the quality and the reach of engineering education. The development of NPTEL over the past decade was driven by a combination of three identifiable factors:

- 1. Huge demand for engineering education;
- 2. A scarcity of places in the famed Indian Institutes of Technology (IITs), which admit only about 3 percent of applicants; and
- 3. Deep concerns about the abilities of the 400,000 or so engineers India produces each year.

Walsh reportedly quotes a 2005 report by the *McKinsey Global Institute*, that only one in four (i.e. 25 percent) engineers in India "*would be suitable…to work for multinational companies.*" Founded and headed by a renowned educationist, IIT-Madras director M.S. Ananth, the NPTEL initiative aims to give free, high-quality web and video course materials from seven IITs (as well as the Indian Institute of Science) to students and faculty at engineering and science colleges outside the IIT system. There is a selfish motive for the IITs, to be sure – trying to create a pipeline of better-trained candidates for their graduate programmes—but leaders of the project also have much bigger aspirations. According to Ananth, "The broad aim of the NPTEL project is to facilitate the competitiveness of Indian industry in the global markets." There are now more than 250 courses available, with around 1,000 envisioned as the programme expands enormously in its next phase.

Unlocking the Gates reports that while the "vast majority" of NPTEL's users come from within Indian environment, the next largest group is from the US—evidence that the global reach of online offerings need not only go from West to East. But the project's central aim of making the best curriculum available to Indians on a mass basis has not yet been realized. Reliable usage levels are not available, but traffic to the programme's Web site has thus far been less expected. This might be partly because of poor marketing—there are no staff dedicated to this activity, which is

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not necessarily the central strength of the professors who lead the initiative. Still, a second round of government funding in March 2009 had the programme participants interviewed by Walsh optimistic that NPTEL will be sustained and expanded, possibly with eventual support from the Indian business community. Like their US counterparts, however, IITs have been reluctant to offer course credits or degrees through the programme for the fear of compromising academic quality. That is an understandable concern—after all, elite universities' gatekeeper function is a core part of their valued brands. "Our entrance is very tight, we don't want to just give a certificate or degree to anybody" – according to one IIT professor who serves as an NPTEL programme organizer. But since the book was completed, the *Times of India* recently reported that project coordinators have announced plans to offer "the equivalent of a degree or a diploma to students enrolled in the virtual university." Wildavsky, however, doubts that this will take place through a simple or smooth process, but if NPTEL's architects succeed, offering greatly expanded opportunities to earn real-world credentials seems like a logical next step, one that could fulfil the promise of online delivery to bring top-quality, credit-bearing university classes to scale.

Source: Wildavsky, B. (2011), An Indian Experiment in High-Quality Online Education, *The Chronicle of Higher Education* (7 February), available online at: http://chronicle.com/blogs/worldwise/an-indian-experiment-in-high-quality-online-education/27845; Revathi Ramanan & Ishan Srivastava (TNN, 24 December 2010) Soon, virtual varsity to hand out degrees. Online at: http://timesofindia.indiatimes.com/ india/Soon-virtual-varsity-to-hand-out-degrees/articleshow/7154104.cms#ixzz1EghvQEBt; official NPTEL Website is available online at: http://nptel.iitm.ac.in/

DISCUSSION QUESTIONS

- 1. To what extent would you agree with the contention of Indian Institutes of Technology (IITs) that online degrees may compromise academic quality?
- 2. Argue for or against the contention that "US online course provisions are offering opportunities for learners from across the world to take advantage of without earning degrees!"
- 3. How can students' attitudes towards online degrees/education be changed and/or reinforced?

Consumer Motivation

LEARNING OBJECTIVES

After reading this chapter, you should be able to:

- Describe the concept of motivation and the various theories associated with it
- Distinguish between needs (in all its variants) and goals
- Understand why it is important for marketers to recognize that products can satisfy a range of consumer needs
- Hentify various kinds and/or types of motivational conflicts
- Explain the way consumers evaluate and choose a product

Motivation refers to the processes that lead people to behave as they do. It occurs when a need arises in the consumer which he wishes to satisfy. He is driven into a state of tension and attempts to reduce or eliminate it. This need may be *utilitarian* (i.e., a desire to achieve some functional or practical benefit, as when a person buys lots of green vegetables for health reasons) or it may be *hedonic* (i.e., an experiential need, involving emotional responses or fantasies, as when Al-Anood thinks that walking with her husband would provide a good "me time" away from the stress of the kids, the work and the house). The desired end state is the consumer's *goal*. Marketers try to create products and services that will provide the desired benefits and allow the consumer to reduce the tension.

Whether the need is utilitarian or hedonic, the magnitude of the tension it creates determines the urgency the consumer feels to reduce it—this degree of arousal is sometimes also called a *drive*. We can satisfy a basic need in a number of ways, and the specific path we choose is influenced both by our unique set of experiences and by the values instilled by our culture. These personal and cultural factors combine to create a *want*, which is one manifestation of a need. For example,

hunger is a basic need that all of us must satisfy; the lack of food creates a state of tension that we can reduce by eating *biryani*. We describe motivation in terms of its *strength*, or the pull it exerts on the consumer, and its *direction*, or the particular way the consumer attempts to reduce it.

NEEDS AND GOALS

The specific way we choose to satisfy a need depends on our unique history, learning experiences, and cultural environment. For example, two classmates may feel their stomachs rumbling during a lunchtime lecture. If neither of them has eaten since the night before, the strength of their respective needs (hunger) would be about the same. However, the ways each person goes about satisfying this need might be quite different. The first person may be a health conscious consumer who carefully chooses to eat a lot of vegetables, whereas the second person may enjoy eating *chicken tikka* who salivates on the prospect of a hot curry.

CHARACTERIZATION OF MOTIVATION

Motives have direction as well as strength. They are goal-oriented in that they drive us to satisfy a specific need. Motivation can also be in conflict despite having a direction and strength, as we shall find in this section. Because a purchase decision can involve more than one source of motivation, consumers often find themselves in situations in which different motives, both positive and negative, conflict with one another. Marketers attempt to satisfy consumers' needs by providing possible solutions to these dilemmas. For example, to avoid giving you the confusing choice of either buying both a body wash and shampoo, some marketers have introduced a combo (i.e. two-in-one package).

Motivational Direction

We can reach most goals by a number of routes, and the objective of a company is to convince consumers that the alternative it offers provides the best chance to attain the goal. For example, a consumer who decides that she needs a new *saree* to help her reach her goal of being fashionable and sophisticated can choose among *Gucci, Kanjeevaram, Kota* or *Banarsi* Sarees (refer to Exhibit 5.1) and many other alternatives, each of which promises to deliver certain benefits.

Motivational Strength

Motivational strength refers to the degree to which a person is willing to spend energy to reach one goal as opposed to another and reflects his underlying motivation to attain that goal. Psychologists have advanced many theories to explain why people behave the way they do. Most share the basic idea that people have some finite amount of energy that must be directed towards certain goals.

Motivational Conflicts

A goal has *valence*, which means that it can be positive or negative. We direct our behaviour towards goals we value positively; we are motivated to *approach* the goal and to seek out products that

will help us to reach it. However, we are not always motivated by the desire to approach a goal. As we found in the previous chapter in discussion on negative reinforcement, sometimes we are also motivated to *avoid* a negative outcome. We structure purchases or consumption activities to reduce the chances of attaining this end result. For example, many consumers work hard to avoid rejection by their peers, a negative goal. They will stay away from products that they associate with social disapproval. Products such as deodorants and mouthwash frequently rely on consumers' negative motivation by depicting the negative social consequences of body odour or bad breath.

The following three main categorizations of motivational conflicts have been identified in the literature:

- 1. Approach-approach conflict—A choice between two desirable alternatives.
- 2. Approach–avoidance conflict—Involves a choice in which some aspects of the product are positive and others are negative.
- 3. Avoidance-avoidance conflict-Involves a choice between two negative alternatives.

Generally, each time the consumer is faced with making choices, the dissonance that is created can potentially keep the consumer feeling fulfilled in his decision. In each case, marketers should provide additional information the consumer can use to justify the choice he made. Approachapproach conflicts result when both alternatives are positive. The selection of one requires the rejection of another, which creates a need for a cognitive explanation of why one was not selected. The approach-avoidance conflict produces much less dissonance because one is positive and the other is clearly negative.

Approach-Approach Conflict

A person has an *approach*-approach conflict when he must choose between two desirable alternatives. A student might be torn between going home for the holidays and visiting some family relatives in another country. Or he might have to choose between two CDs at the store. The theory of cognitive dissonance is based on the premise that people have a need for order and consistency in their lives and that a state of dissonance (tension) exists when beliefs or behaviours conflict with one another. We resolve the conflict that arises when choosing between two alternatives through a process of *cognitive dissonance reduction*, where we look for a way to reduce this inconsistency (or dissonance), thus eliminating unpleasant tension. Dissonance often occurs when a consumer must choose between two products, both of which usually possess good and bad qualities. By choosing one product and not the other, the person gets the bad qualities of the chosen product and loses out on the good qualities of the unchosen one. This loss creates an unpleasant, dissonant state that the person seeks to reduce. We tend to convince ourselves that the choice we made was the smart one by finding additional reasons to support the alternative we did choose—perhaps by "discovering" some imperfections with the option we did not choose. A marketer can resolve an approach-approach conflict by bundling several benefits together. For example, Coca-Cola's zero sugar promise implies you can have the same great taste without sugar.

Approach-Avoidance Conflict

Many of the products and services we desire have negative consequences attached to them as well. We may feel guilty when buying a status-laden product such as a fur coat, or we might feel unhealthy after eating three *kebabs*. An *approach–avoidance conflict* exists when we desire a goal

but wish to avoid it at the same time. Some solutions to these conflicts include the proliferation of faux leather, which eliminate guilt about harming animals to make a fashion statement, e.g. alligator or snake skin shoes and bags. Many marketers try to help consumers overcome guilt by convincing them that they deserve these luxuries.

Avoidance-Avoidance Conflict

Sometimes we find ourselves *caught between the devil and the deep-blue sea*. We may face a choice with two undesirable alternatives, for instance, the option of either spending more money on an old car or buying a new one. Marketers frequently address an *avoidance–avoidance conflict* with messages that stress the unforeseen benefits of choosing one option (e.g. by emphasizing special credit plans to ease the pain of car loan repayments). Alternatively, some car dealers now offer you the option to trade-in your old car in part payment for a brand new one!

TYPOLOGY OF NEEDS

Needs can take many different forms depending on whether they are natural or artifical or learned. Four types have been identified in the literature which are as follows:

- 1. *Biogenic needs* Those needs people are born with—i.e., those elements necessary to maintain life, such as food, water, air, and shelter.
- 2. *Psychogenic needs* People have many other needs, however, that are not innate. We acquire *psychogenic needs* as we become members of a specific culture. These include the needs for status, power, and affiliation. Psychogenic needs reflect the priorities of a culture, and their effect on behaviour will vary from environment to environment. For example, a South Asian consumer may spend a good part of his income to ensure that he conforms to social expectations whereas a US consumer may be driven to spend most of his earning on products that permit him to display his individuality. Consumers can also be motivated to satisfy either utilitarian or hedonic needs.
- 3. *Utilitarian needs* When we focus on a *utilitarian need*, we emphasize the objective, tangible attributes of products, such as kilometre per liter in a car; the amount of fat, calories, and protein in kebab; or the durability of a pair of glasses.
- 4. *Hedonic needs* These are subjective and experiential; here we might look at a product to meet our needs for excitement, self-confidence, or fantasy—perhaps to escape the routine aspects of life.

Despite these, however, we can also be motivated to purchase a product because it provides *both* types of benefits. For example, a woman might buy Gucci sarees (see Exhibit 5.1) because of the luxurious image it portrays and because it also happens to follow her cultural values.

THEORIES OF NEEDS

There are numerous theories of needs that may be useful in illustrating the concept of motivation. The most popular happens to be Maslow's hierarchy of needs which has been used extensively

Exhibit 5.1

Designer Sarees—Hung out to dry?

In addition to Banarsi, Kota and Kanjeevaram, women can now add Gucci sarees to their wardrobes as the Italian luxury brand is working on traditional Indian clothing and creating a limited domestic collection using local tradition and design. At the moment, Gucci has two stores in Mumbai and Delhi and it is planning to open two more, one of them in Bangalore.

Gucci, which has a turnover of 2,175 million Euros, has already launched a similar experiment in China where it has 18 stores. Besides red bags, it has come out with a stuffed panda toy and a bicycle using traditional Chinese colours. Gucci offers a wide range of products from bags, footwear, ready-to-wear, perfumes to watches. Lee, who joined the company as the CEO in 2005, said that high rentals for retail outlets in the country were a key issue for expansion of luxury brands. Still, Lee said Gucci (unlike many other international brands) will make forrays into smaller cities.

The Gucci group has a range of brands under its fold: Gucci, YSL, Sergio Rossi, Stella McCartney, Bottega Veneta, watch brand Bedat & Co and perfume brand Roger & Gallet. However, these brands do not compete with each other. "All the brand heads meet four times a year and openly share strategies. The aim is not to compete with each other, but with other luxury brands."

Source: Adapted from Surajeet Das Gupta and Archana Jahagirdar, (Business Standard, 30 March 2008), 'Gucci sarees for the wardrobe!', http://www.business-standard.com/india/storypage.php?autono=318381

in consumer behaviour as well as organization behaviour studies. Others include Alderfer's ERG theory, McClelland's theory of need achievement; and Vroom's Expectancy Theory.

Maslow's Hierarchy of Needs

One of the important theories to explain motivation is *Maslow's hierarchy of needs* (by psychologist Abraham Maslow). The theory classifies human needs into five levels, from the least to the most important needs (see Figure 5.1). Once needs at one level are met, humans try to fulfil needs at the next level. Maslow suggested that our unfulfilled needs motivate us and that our needs are arranged in a hierarchy. The hierarchy of needs includes physiological, safety, social, self-esteem, and selfactualization needs. Maslow suggested that we fill the bottom-level, basic needs first before moving up the hierarchy. Until more basic needs such as safety are fulfilled, an individual has little interest in higher-level needs such as esteem and self-actualization.¹ In Maslow's hierarchy, physiological needs are first met before safety, social, esteem and ultimately self-actualization needs. These are discussed as follows:

- 1. *Physiological needs* The most basic level, which represents requirements for survival such as food, water, sex, clothing, and shelter, which people try to satisfy first.
- 2. Safety needs The next level up, which includes security and freedom from physical and emotional pain and suffering.
- 3. Social needs The third level, which includes the human requirements for love and affection and a sense of belonging.

- 4. *Esteem needs* The fourth level, in which people require respect and recognition from others as well as self-esteem, a sense of one's own worth.
- 5. *Self-actualization* The highest level of need, which refers to people's need to grow and develop and to become all they are capable of becoming.

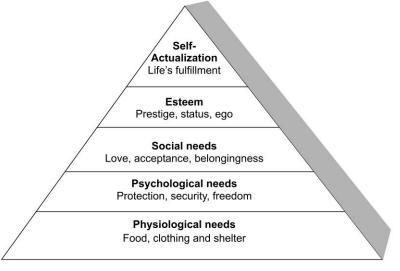


FIGURE 5.1 Maslow's Hierarchy of Needs

The basic lesson of Maslow's hierarchy is that one must first satisfy basic needs before progressing up the ladder (a starving man is not interested in status symbols, friendship, or self-fulfillment). That implies that consumers value different product attributes depending on what is currently available to them. For example, consumers living in underprivileged parts of South Asia may be increasingly bombarded with images of luxury goods, yet may still have trouble obtaining basic necessities (see Exhibit 5.2 for a real application challenge).

Exhibit 5.2

MARKETING APPLICATION

The way marketers' has applied Maslow's hierarchy of needs has been somewhat simplistic because the same product can satisfy different needs. For example, one study found that gardening satisfies needs at each level of the hierarchy. Although Maslow's hierarchy of needs succeeds in establishing that there exist different levels of needs in a general context, it should be acknowledged that Maslow's hierarchy is culture-bound and that its assumptions are based on Western values. Therefore, Maslow's hierarchy needs to be understood with the Arabic context in mind. For example, a person who has taken a vow of celibacy would not necessarily agree that physiological needs must be satisfied before self-fulfillment (roughly interpreted as self-actualization).

Consumer-generated content where people give their opinions about products, brands, and companies on blogs, podcasts, and social networking sites such as *Facebook* and *MySpace*, that million of people view on sites such as *YouTube*, probably is the biggest marketing phenomenon of the past few years (even bigger than the iPhone). This significant trend defines the era of so-called *Web 2.0*, the rebirth of the Internet as a social, interactive medium from its original roots as a form of one-way transmission from producers to consumers. However, many marketers find this change threatening because they are forced to "share" ownership of their brands with users. This novel way of user participation is here to stay. The fact is that, now companies can not rely solely on a "push method" to inform their customers about their products. They should encourage a vibrant two-way dialogue that will allow consumers to contribute their evaluations of products within their respective Web communities.

Sources:

1. Adapted from: Vranica, S., and Terhune, C. "Mixing Diet Coke and Mentos Makes a Gusher of Publicity," *Wall Street Journal* (June 12, 2006): B1.

2. Marketing Week (May 2006), "Interactive: User-Generated-Cheap, but Is It Safe to Let Go?", pp. 40-41.

Maslow published his first conceptualization of his theory over 50 years ago and it has since become one of the most popular and often cited theories of human motivation. An interesting phenomenon related to Maslow's work is that in spite of a lack of empirical evidence to support his hierarchy, it enjoys wide acceptance². The few major studies that have been completed on the hierarchy seem to support the proposals of William James (1892–1962) and Mathes³ that there are three levels of human needs. While James hypothesized the levels of material (*physiological, safety*), social (*belongingness, esteem*), and spiritual, Mathes proposed that the three levels were physiological, belongingness, and self-actualization; he considered security and self-esteem as unwarranted.

Alderfer's Hierarchy of Motivational Needs

Alderfer⁴ developed a comparable hierarchy with his ERG (existence, relatedness, and growth) theory. His approach modified Maslow's theory based on the work of Gordon Allport in the early 1960s incorporating concepts from *systems theory* into his work on *personality*. According to the ERG theory, all forms of material and psychological desires (i.e. existence) can only make sense relative to significant others (relatedness) in order to have impact or some semblance of self-gratification (Growth). In other words, conspicuous consumption can only be self-gratifying to an individual only when that individual gets noticed by peers and/or recognized by society (see Table 5.1).

Level of Need	Definition	Properties
Existence	Includes all of the various forms of material and psychological desires	When divided among people, one person's gain is another's loss if resources are limited
Relatedness	Involves relationships with significant others	Satisfied by mutually sharing thoughts and feelings; acceptance, confirmation, under- standing, and influence are elements

 TABLE 5.1
 Alderfer's Hierarchy of Motivational Needs

(Continued)

TABLE 5.1 (Continued)

Level of Need	Definition	Properties
Growth	Impels a person to make creative or productive effects on himself and his environment	Satisfied through using capabilities in engaging problems; creates a greater sense of wholeness and fullness as a human being

Source: Huitt, W. (2007), "Maslow's hierarchy of needs," *Educational Psychology Interactive*, Vadosta, G.A.: Vadosta State University, http://www.edpsycinteractive.org/topics/regsys/mastow.html, accessed on 12 September 2011.

McClelland's Theory of Needs

Certain motivational approaches focus on specific needs and their ramifications for behaviour. For example, individuals with a high *need for achievement* strongly value personal accomplishment.⁵ They place a premium on products and services that signify success because these consumption items provide feedback about the realization of their goals. These consumers are good prospects for products that provide evidence of their achievement. For example, a person with a high need for achievement and who developed a successful business is more likely to purchase a car he considers prestigious and less likely to be interested in a car that accentuates practicality. Some other important needs that are relevant to consumer behaviour include the following:

- 1. *Need for affiliation* (to be in the company of other people). The need for affiliation is relevant to products and services for people in groups, such as participating in team sports, eating together, and going to shopping malls, and it serves to alleviate loneliness.
- 2. *Need for power* (to control one's environment). Many products and services allow consumers to feel that they have mastery over their surroundings (based on McClelland's classic). These products range from powerful cars to luxury resorts that promise to respond to every whim of their pampered guests.
- 3. *Need for uniqueness* (to assert one's individual identity). Products can satisfy the need for uniqueness⁶ by pledging to accentuate a consumer's distinctive qualities.

Vroom's Expectancy Theory

Most current explanations of motivation focus on cognitive factors rather than biological ones to understand what drives behaviour. *Expectancy theory* suggests that expectations of achieving desirable outcomes—positive incentives—rather than being pushed from within motivate our behaviour. We choose one product over another because we expect this choice to have more positive consequences for us. Thus, we use the term *drive* here loosely to refer to both physical and cognitive processes.

LEVELS OF INVOLVEMENT

An individual's degree of involvement often takes the shape of a continuum, ranging from absolute lack of interest in a marketing stimulus at one end to obsession at the other. *Inertia* describes consumption at the low end of involvement (will be discussed later under motivation arousal, which this inevitably prompts), where we make decisions out of habit because we lack the motivation to

consider alternatives—e.g. having to rely on library books for study rather than having to buy a textbook for every course taken in every semester (see Figure 5.2). At the high end of involvement, we can expect to find the type of passionate intensity we reserve for people and objects that carry great meaning for us. For example, test cricket between India and Pakistan and especially if it is in Eden's Gardens? Now that is a game that must be seen!



FIGURE 5.2 Degrees of Involvement

When consumers are truly involved with a product, advertisement, sport or any other activity such as travel, reading, and biking, they enter a *flow state*. This state is extremely valuable for marketers who now have dedicated channels for cricket versus football as opposed to just sports channels.

Forms of Involvement

Involvement can take many forms. It can be cognitive, as when a consumer who loves the game of cricket is motivated to learn all he can about the latest rules, fixtures, results and even what is happening in the player transfer market. It can also be emotional, as when the thought of a new travel deal gives a travel enthusiast a sense of excitement. Indeed, the consensus is that there are actually several broad types of involvement we can relate to the product, the message, or the perceiver. Exhibit 5.3 shows another example of marketers getting customers involved through contests with mouth watering rewards which is a form of motivation arousal discussed later in the chapter.

Exhibit 5.3

CURIOSITY UP IN THE AIR

Emirates Airline, the national airline of Dubai, is the largest airline in West Asia. It ranks among the top 10 carriers worldwide in terms of revenue and passenger kilometres.

The airline has launched recently its pre-summer awareness campaign in India—"Guess where, and Emirates will fly you there!" The campaign consists of eight television commercials and 15 print advertisements, of which four TV channels have already gone on air and seven print adverts have been issued. The campaign is divided into two stages, each conveying a distinct message. The first stage, focuses on the destinations, and the second stage builds upon the Emirates experience.

Emirates Airline, which operates 184 weekly flights to 10 Indian destinations, has also started an interactive contest for its travellers in India, who plan to take a vacation abroad this summer. The contest invites participants to identify the name of the city by taking cues of the visual representation in the ads and enter the contest either by sending text messages or logging onto www.emirates.com/fly to submit their answers. According to Orhan Abbas, Vice-president (India and Nepal) of Emirates Airlines, the company offers 15 free tickets to 15 destinations in a bid to build and/or create some awareness of its global network.

The airline is also active on social networking websites such as Facebook where one of its campaigns generated about 8,000 entrants in the first week. It further plans to extend this to a whopping 20,000 participants after a complete month. The philosophy behind the campaign is based on the fact that February and March are the months when families in India plan their summer vacation. Thus, it is the right time to build awareness of the Emirates network and promote Dubai as a stop-over destination. According to Bobby Pawar, Mudra CEO, the brains behind the advertisement, *Curiosity is what induces people to travel. This campaign provokes that curiosity by giving viewers interesting glimpses of different locations. In doing so, it builds on core thought of the airline, 'Keep discovering.' Are you motivated yet? Can Air India follows it?*

Source: Arunima Mishra, (Business Standard 21 February 2011), "Emirates Airline: Discovering destinations," http://www. business-standard.com/india/news/emirates-airline-discovering-destinations/425846/, accessed on March 9, 2011. See also "Air India to run 11 all-women flights on Women's Day", *Khaleej Times*, 8 March 2011, p. 21.

Levels of involvement can revolve around three key areas—involvement with the product, response to the message and the purchase situation.

1. Product involvement

This refers to a consumer's level of interest in a particular product. Many sales promotions aim to increase this type of involvement. Think about the sales promotions strategies developed by many car dealers in the face of the "Cash for Clunkers" initiative by the US government to tackle low consumer confidence as a result of the global financial crisis.⁷ Promotions such as point of purchase displays (POP), contests, or rebates were intensively used to develop interest, trial and purchase. Smart marketers are waking up to the idea that their most avid fans are a great resource—rather than ignoring their suggestions, they know they need to take them seriously.

2. Message-response involvement

Devotion to creating a consumer generated commercial is an extreme example of *message–response involvement* (also called *advertising involvement*), which refers to the consumer's interest in processing marketing communications. *Vigilante marketing*, freelancers and fans film their own commercials for favourite products and post them on Web sites or other social networking sites, e.g. Netflix or MySpace.

3. Purchase situation involvement

This refers to differences in motivation when people buy the same product but in different contexts. For example, when you want to impress someone, you may try to buy a brand with a certain image that you think reflects good taste. When you have to buy a gift for someone in an obligatory situation, such as a wedding gift for a cousin you do not really know, you may not care what image the gift portrays. Again, some smart retailers are waking up to the value of increasing purchase situation involvement when they appeal to hedonic shoppers who are looking to be entertained or otherwise engaged in addition to simply "buying stuff."

MEASURES OF INVOLVEMENT

Research evidence indicates that a viewer who is more involved with a television show will respond more positively to commercials he sees during that show and that these spots will have a greater chance of influencing his purchase intentions.⁸ French researchers devised another scale to measure the antecedents of product involvement.

Recognizing that consumers can be involved with a product because it is a risky purchase and its use reflects on or affects the self, they advocate the development of an *involvement profile* containing five components.

- 1. The personal interest a consumer has in a product category, its personal meaning or importance
- 2. The perceived importance of the potential negative consequences associated with a poor choice of the product (risk importance)
- 3. The probability of making a bad purchase
- 4. The pleasure value of the product category
- 5. The sign value of the product category (how closely it is related to the self).

Although consumers differ in their levels of involvement with respect to a product message, marketers do not have to simply sit back and hope for the best. By being aware of some basic factors that increase or decrease attention, they can take steps to increase the likelihood that product information will get through.

Motive Arousal

Arousal theory is based on the ideas that different individuals perform better at different levels of arousal and that every individual seeks to find its optimum level. Some people enjoy a quiet evening of relaxation after a long work-week while others might prefer a loud music and clubbing to end a tough week. This also explains the behaviours of thrill-seekers. Their optimum arousal level is high, so to feel comfortable they get involved in sensational acts. Another part of the arousal theory is the *Yerkes-Dodson law*, which states that simple tasks require a high level of arousal to get the motivation to do them, while difficult tasks require low arousal to get the proper motivation. You may have found that doing your boring homework requires a lot of effort on your part while doing a difficult brain teaser or computer/video games is fun and is easy to concentrate on. A marketer can increase, or indeed arouse, consumers' motivations to process relevant information by using one or more of the following techniques:⁹

- ▲ Appeal to the consumers' hedonic needs—For example, ads using sensory appeals generate higher levels of attention.
- ▲ Use novel stimuli, such as unusual cinematography, sudden silences, or unexpected movements, in commercials.
- ▲ Use prominent stimuli, such as loud music and fast action, to capture attention in commercials in print formats, larger ads increase attention. Also, viewers look longer at coloured pictures than at black and white ones.
- ▲ Include celebrity endorsers to generate higher interest in commercials.
- ▲ Build bonds with consumers by maintaining ongoing relationships with them.

Frustration and Defense Mechanisms

As we saw in our discussion on balance or congruity theory in Chapter 4, the process of motivation is initiated by the tension an unsatisfied want creates -i.e. incongruity. Consequently, it is not unusual for an individual to make all possible efforts to reduce such tension and thereby restore balance in the triad. We also saw at the beginning of this chapter (i.e. in our discussion on the typology of needs) that needs could be positive, negative, utilitarian or hedonic, conscious or unconscious. Accordingly, these variants of needs enable an individual to formulate his goals. A person has many goals and these goals are never ending and a failure to satisfy them sometimes leads to frustration. A person can deal with this by targeting substitute or related goals or by building a defense mechanism such as aggression, rationalization, regression and withdrawal.¹⁰ Take another example (different from that used in Chapter 4). A person is faced with the dilemma of having to obtain car finance in order to ensure that he or she gets a particular job that requires access to your own car. Considering that the individual is still seeking work, he might opt for a five-year repayment plan which is usually more affordable considering the spread into 60 months. However, remembering that you would be haunted for 60 months over this debt can be a frustrating experience which might prompt you to consider early repayment as a potential defense mechanism—i.e. to end sleepless nights that are usually associated with debt. You may also need to recognize that marketers' understand these kinds of behaviours in consumers and have devised means of punishing borrowers who engage in early repayment by charging them a fee for their freedom.

VALUES

Values are linked to motivation in the sense that people are motivated to perform or behave in a certain way due to their societal or personal values. A *value* is a belief that some condition is preferable to its opposite. For example, some people vigorosly pursue products and services that will make them look younger rather than older. In other words, consumers purchase many products and services because they believe these products will help to attain a value-related goal. Two people can believe in the same behaviours (e.g., women wearing the saree), but their underlying *belief systems* may be quite different (e.g., abandoning the Western Jeans and T-shirt versus social acceptance). The extent to which people share a belief system is a function of individual, social and cultural forces. Advocates of a belief system often seek out others with similar beliefs so that social networks overlap and, as a result, believers tend to be exposed to information that supports their beliefs—e.g., an environmental activist rarely hangs out with a Hummer owner.¹¹

In any case, it is worth remembering that every culture has a set of values that it imparts to its members. While certain people may emphasize the virtues of group membership, others might feel that being a unique individual is preferable to subordinating one's identity to the group. Indeed one study¹² found that the most important values to Asian executives are hardwork, respect for learning, and honesty, when compared to North American business people who emphasize the values of personal freedom, self-reliance, and freedom of expression. These differences in values often explain why marketing efforts can be successful in one country but not in another. For example, car manufacturers had to adopt their marketing tactics to reach the women market in Saudi Arabia – even though women are not allowed to drive by themselves, the possibility of owning a car still gives women a feeling of strength and freedom.

What sets cultures apart is the *relative importance*, or ranking, of these universal values. This set of rankings constitutes a culture's *value system*.¹³ For example, collectivist societies like Arabic countries have more favourable attitudes towards advertising messages that focus on family integrity, collective goals, and the feeling of harmony with others whereas individualist societies such as North Americans tend to focus more on self-reliance, self-improvement, and the achievement of personal goals. We characterize every culture in terms of its members' endorsement of a value system. Every individual may not endorse these values equally, and in some cases, values may even seem to contradict one another. Nonetheless, it is usually possible to identify a general set of *core values* that uniquely define a culture. Core values such as family, dignity, honour, and reputation tend to characterize Arabic culture and Islam is considered a complete way of life. Core values such as freedom, youthfulness, achievement, materialism, and activity characterize American culture.

Before we end this section, we need to understand how we determine what a culture values? Such process of learning the beliefs and behaviours endorsed by one's own culture is termed *enculturation*. In contrast, we call the process of learning the value system and behaviours of another culture (often a priority for those who wish to understand consumers and markets in foreign countries) *acculturation*. For example, Dubai is listed among the most developed cities where different ethnic groups are represented including Arabs, Filipinos, South Asians (Indians, Pakistanis, Bangladeshis and Sri Lankans), Westerns, and Africans. *Socialization agents*, including parents, friends, and teachers, impart these beliefs to us. Another important type of agent is the media. We learn a lot about a culture's priorities by looking at the values advertising tend to communicate. For example, sales strategies differ significantly among countries. South Asian commercials are more likely to present the wisdom of old people whereas the US commercials tend to be youth-oriented.

MEASURING VALUES

If you can recall (see Chapter 1), consumer behaviour research is a key ingredient to understanding the behaviour of consumers. This is the case where the aim is to understand behaviour, perception, attitudes or motivation. In the latter case, however, some specific attempts by researchers to measure cultural values have been captured thus:

- 1. Syndicated Surveys
- 2. Rokeach Value Survey
- 3. List of Values (LOV) Scale

Syndicated Surveys

A number of companies track changes in values through large-scale surveys. They sell the results of these studies to marketers, who often also pay a fee to receive regular updates on changes and trends. This approach originated in the mid-1960s, when Playtex was concerned about sagging girdle sales. The company commissioned the market research firm of *Yankelovich, Skelly & White* to see why sales had dropped. Their research linked the decline to a shift in values regarding appearance and naturalness. Playtex went on to design lighter, less restrictive garments, whereas Yankelovich went on to track the impact of these types of changes in a range of industries.

Rokeach Value Survey

Psychologist Milton Rokeach identified a set of **terminal values**, or desired end states, that apply to many different cultures. The *Rokeach value survey* also includes a set of **instrumental values**, or actions we need to take to achieve these terminal values.¹⁴ Some evidence indicates that differences in these global values do translate into product-specific preferences and differences in media usage. Nonetheless, marketing researchers have not widely used the Rokeach Value Survey.¹⁵ One reason is that our society is evolving into smaller and smaller sets of *consumption micro cultures* within a larger culture, each with its own set of core values. For example, in Turkey, university students and non college adults differ in the importance they give to tradition and religiosity.¹⁶ Even within the same student population, there exist strong variations between values.

List of Values (LOV) Scale

The list of values scale identifies nine consumer segments based on the values members endorse and relates each value to differences in consumption behaviours. These segments include consumers who place priorities on such values as a sense of belonging, excitement, warm relationships with others, and security. For example, people who endorse the sense of belonging value are older, entertain more, and prefer group activities more than people who do not endorse this value as highly.

MOTIVATION RESEARCH

The difficulty in directly discovering the precise motivating factors that shape buying behaviour has led some consumer researchers to devise techniques that would enable unearth hidden motives. Sometimes, the techniques adopted need to reveal suppressed and repressed motives and two main techniques, viz. projective techniques and means-end chain model are briefly discussed here.

In addition to projective techniques and means-end chain highlighted here, you may want to also go back to the extensive coverage of consumer research in Chapter 1.

Projective Techniques

Based on the belief that if persons were relieved of direct responsibility for their expressions, they will tend to answer more truly and truthfully, projective tests have become a popular means of undertaking qualitative research and especially so in consumer research. The term 'project test' is based on the notion that respondents are required to project themselves into someone else's place or into some ambiguous situation. Different kinds exist, but only two are discussed here for illustrative purposes—*Word Association,* and *Cartoon Tests.* The first kind (*word association)* can be used to determine consumer attitudes towards products, stores, advertising themes, product features and brand names. A frequent association with *Switzerland* has been *banking* and *watches.* In other words, when you think of watches, you think of Swiss. In cartoon tests, however, informants may be presented with a rough sketch showing two individuals having a conversation. Assume that these individuals are Ms. X and Mr. Y. Suppose that Ms X's speech balloon has words written in it and respondents are expected to complete or fill in Mr Y's possible reply in his empty balloon.

The key argument is that respondents will more than likely pencil down their own feelings through their reply. In other words, their own feelings are projected.

Means-End Chain Model

The Mean-end chain model assumes that people link very specific product attributes (indirectly) to terminal values. Put differently, individuals are bound to choose among *alternative means* to attain some *end state* we value (such as freedom or safety). Thus, we value products to the extent that they provide the means to some end we desire. *Laddering* is a technique that researchers have proposed in order to highlight associations between specific attributes and these general consequences. Using this approach, they help consumers climb up the "ladder" of abstraction that connects functional product attributes with desired end states.^{17, 18} Based on consumer feedback, then they create *hierarchical value maps* that show how specific product attributes get linked to end states. Let us consider these two examples – (i) for Danish people, health is the most important end state; (ii) the British also focus on health, but saving money and avoiding waste are more important for them than for people elsewhere.

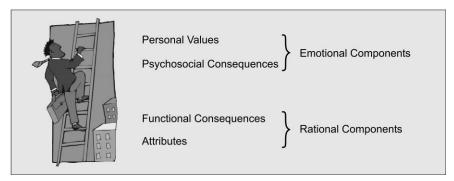


FIGURE 5.3 Means⁻end chain

The means-end chain specifies that consumers basically process information across three broadly defined physical and psychological levels (Gutman, 1982)¹⁹.

- ▲ Attributes these are observable features or physical characteristics
- ▲ Consequences reasons why attributes are desirable or not so desirable
- ▲ Values especially personal values, which contain higher-level elements that determine image, action or decision-making capabilities.

It is a way of digging beneath the surface to discover layers of consumer meaning. The central argument is that a product or service is a consumer's "means" of achieving a desired "end" or goal. This is usually visualized in the form of a ladder (see Figure 5.3), which is determined bottom-up where attributes lead to consequences (both functional and psychosocial), which in turn connect with personal values.

S U M M A R Y

- Marketers try to satisfy consumer needs, but the reasons people purchase any product can vary widely. The identification of consumer motives is an important step in ensuring that a product will satisfy appropriate needs. Traditional approaches to consumer behaviour have focused on the abilities of products to satisfy rational needs (utilitarian motives), but hedonic motives (e.g., the need for exploration or for fun) also play a key role in many purchase decisions.
- As Maslow's hierarchy of needs demonstrates, the same product can satisfy different needs, depending on the consumer's state of mind at that time. In addition to his objective situation (e.g., have basic physiological needs already been satisfied?), we must also consider the consumer's degree of involvement with the product.
- The way we evaluate and choose a product depends on our degree of involvement with the product, the marketing message, and/or the purchase situation.
- → Our deeply-held cultural values dictate the types of products and services we seek out or avoid.
- Consumers vary in the importance they attach to worldly possessions, and this orientation, in turn, has an impact on their priorities and behaviours.
- Materialism refers to the importance people attach to worldly possessions. Although we describe many Americans as materialists, there are indications of a value shift within a sizable portion of the population and this accompanies much greater interest in environmentally sustainable products and services.
- Consumer involvement can be exhibited at three (3) levels involvement with the product, response to the message; and purchase situation involvement.
- Values are usually linked to motivation in the sense that people are often motivated to behave in a certain way due to societal and/ or personal values.
- Such personal values can be seen in the means-end chain as the "end" satisfiers—for example, does charity donation bring about peace of mind?
- Attempts have been made to measure cultural values using a number of scales—syndicated surveys; Rokeach value survey and List of Values scale.

OBJECTIVE TYPE QUESTIONS

- 1. _____ refers to the process that causes people to behave as they do.
 - (a) Goals
 - (b) Needs
 - (c) Motivation
 - (d) Drives
- 2. When a need is aroused that the consumer wishes to satisfy, the _____ process has been activated.
 - (a) Goals
 - (b) Need
 - (c) Desire
 - (d) Motivation
- 3. Considering the motivation process, the desired end state is the consumer's _____
 - (a) Drive

- (b) Need state
- (c) Benefit statement
- (d) Goal
- 4. The ______ is a scale used to measure terminal and instrumental values.
 - (a) Rokeach value survey
 - (b) Likert scale
 - (c) Means-end chain
 - (d) List of values scale
- 5. A(n) _____ approach assumes that very specific product attributes are linked at levels of increasing abstraction to terminal values.
 - (a) Abstract model
 - (b) Means-end chain model
 - (c) Value dynamic
 - (d) Goal clarification model
- 6. Which of the following is not a *biogenic* need?
 - (a) Need for food
 - (b) Need for shelter
 - (c) Need for water
 - (d) Need for achievement
- 7. ______ is based on the premise that people have a need for order and consistency in their lives and that a state of tension exists when beliefs or behaviours conflict with one another.
 - (a) Expectancy theory
 - (b) Value theory
 - (c) Cognitive dissonance theory
 - (d) Choice theory
- 8. What type of conflict exists when we desire a goal but wish to avoid it at the same time?
 - (a) Approach-avoidance conflict
 - (b) Approach–approach conflict
 - (c) Avoidance-avoidance conflict
 - (d) Determination conflict
- 9. Mahendra has a toothache, and he wants the tooth to stop hurting, but he has always been afraid to go to a dentist. What type of motivational conflict is he experiencing?
 - (a) Cognitive dissonance conflict
 - (b) Approach–approach conflict
 - (c) Avoidance-avoidance conflict
 - (d) Approach-avoidance conflict
- 10. State whether the following statements are True or False:
 - (i) The degree to which a person is willing to spend energy to reach one goal as opposed to another reflects his underlying motivation to attain that goal.
 - (ii) Motivation explains the strength of behaviour, but not its direction.
 - (iii) The theory of cognitive dissonance is based on the premise that people have a need for order and consistency in their lives and that a state of tension is created when beliefs or behaviours conflict with one another.
 - (iv) Involvement can be seen as the motivation to process information.

REVIEW QUESTIONS

- 1. Describe three types of motivational conflicts, citing an example of each from current marketing campaigns.
- 2. Outline the levels in Maslow's hierarchy of needs, and give an example of a marketing appeal that is focused at each level.
- 3. List three types of consumer involvement, giving an example of each type.
- 4. What are the strategies which marketers can use to increase consumers' involvement with their products?
- 5. Describe at least two alternative techniques marketing researchers have used to measure values.
- 6. Devise separate promotional strategies for an article of clothing, each of which stresses one of the levels of Maslow's hierarchy of needs.

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		Answers to Objective Type Questions				
	1. (c)	2. (d)	3. (d)	4. (a) 5. (b) 6. (d)		
Ч	7. (c)	8. (a)	9. (d)	10. (i) True (ii) False (iii) True (iv) True		



Cotton Prices Hit South Asian Markets

Leading textile producers in the South Asian market – *Raymond Apparel, Mandhana Industries* and *Arvind Industries*—have jointly deplored the rising cost of cotton globally as it affects their bottom-line. While Mandhana Industries boasts clients such as the Mango and Tommy Hilfiger brands, Arvind Industries supplies global players such as Walmart, Lee, Wrangler and Nautica.

According to industry insiders, however, the recent record high price of cotton has squeezed India's many textile producers and apparel retailers, driving up the prices of other fibers. Indeed, the rising price of cotton, which hit a new high in February 2011, has also pushed up the cost of alternative materials. But consumption has increased sharply during that period as the global economy recovered and demand increased from emerging markets like China. In a recent report by the international banking giant, Standard Chartered, the global supply of cotton has largely remained static over the past two years, dropping slightly from 197.9 to an estimated 197.6 million bales between the 2009/2010 and 2010/2011 cotton harvests.

Key industry players have expressed their views in the light of these developments. On the one hand, Mandhana Industries pointed out that profits had been eroded due to higher cotton prices. According to Manish Mandhana, joint managing director of Mandhana Industries, the company has increased its prices by as much as 30 percent in the past six months. Speaking at the India Fashion Forum, Mandhana was quoted as saying that "*People are basically taking complete advantage of this rally in cotton [...] so, even the other fibres have gone up.*" On the other hand, Shail Akhil Patel, the marketing manager of Arvind Industries, clearly stated that the price rally is having a "drastic" impact on its operations. Although Arvind's revenues have been strong at US\$638.6 million in the nine months to 31 December 2010, up about 15 percent from the same period a year earlier. Domestic demand, which represents 35 percent of Arvind's business, continues to be strong, he said. But the price rally, which the company has passed on to clients, is hampering demand. "Consumption is reducing day by day because of the price hike."

Another key player, Shreyas Joshi, president of Raymond Apparel, an Indian clothing manufacturer, expects to raise its prices by 5 to 10 percent by 2012 to compensate for increasingly expensive cotton and other fibres. But the company is looking at how to add more value along with the price hike to avoid deterring consumers. Joshi added that "You can't just go up, selling the same product with different pricing, because the customer is seeking value at every price point. So, what kind of products do we offer now? What kind of services can we add?" Raymond may introduce more cotton-blend trousers and suits to moderate the price impact, he said. As it is difficult to substitute another fibre for cotton, the same would not apply to its shirts. "In an Asian country, you can't wear polyester and walk around. You're still going to feel hot." Indeed he expects the higher price tag to have an impact on customer buying patterns. According to Joshi, "we see some behavioural changes [...] maybe, if someone is buying two shirts or four shirts, they might

settle for a lesser number or delay the decision." However, India's position as the second-largest cotton producer in the world also gives it an edge. Indeed, India's textile industry has put pressure on the federal government to keep the current export cap of 5.5 million bales, despite an expected bumper crop in 2011. This cap seems to have gone down well with Mr. Mandhana who opined that "We definitely want that...They shouldn't murder the domestic industry." He also hopes high cotton prices will make domestically produced goods more attractive for consumers. According to him, "it will discourage imports, which is good for the Indian industry ... Import goods are still at a 40 per cent duty, and with cotton being expensive, the goods being bought from abroad will be even more expensive."

Source: Ligaya, A., "Record cotton prices stitch up Indian retailers", *The National Newspaper*, 19 February 2011, Abu Dhabi, UAE, p. 13.

DISCUSSION QUESTIONS

- 1. To what extent would you agree with Mr. Mandhana that "high cotton prices will make domestically produced goods more attractive for consumers?"
- 2. What implications would these textile behemoths (i.e. giants) have on the apparel trade in India in particular and South Asia in general?
- 3. Are there any inconsistencies/incongruency in the responses of Raymond Apparel, Mandhana Industries and Arvind Industries on the needs of Indian apparel consumers?
- 4. What motivational theory can be used to explain the possible reactions of the domestic textile market in the face of rising cotton prices?

ACTIVITY

Revisit Exhibit 5.1, *Designer Sarees—Hung out to dry*? Argue for or against the contention that the competition between the arrays of Gucci brands was not unhealthy as "the aim is not to compete with each other, but with other luxury brands."



LEARNING OBJECTIVES

After reading this chapter, you should be able to:

- Identify the different theories of learning
- Explain the concept and processes involved in memory
- Apply the theory of learning and memory to marketing
- Evaluate the connections between learning, memory and brand loyalty
- Develop a better grasp of brand loyalty and brand equity

Learning is a relatively permanent change in behaviour caused by experience. The learner need not have the experience directly, he can also learn by observing events that affect others. Research shows that consumers can actually learn without trying. Consumers have also been known to recognize many brand names and even sing many product jingles for products they hardly consume. These casual, unintentional acquisition of knowledge is often referred to as *incidental learning*. Learning is an ongoing process. Our knowledge about the world is constantly revised as we are exposed to new stimuli and as we receive ongoing feedback that allows us to modify our behaviour when we find ourselves in similar situations at a later time. The concept of learning covers a lot of ground, ranging from a consumer's simple association between a stimulus such as a product logo (e.g., Nike or Adidas) and a response (e.g., "Just do it" as in the case of Nike) to a complex series of cognitive activities (e.g., writing an essay on learning for a consumer behaviour exam). In this chapter, we discuss some of the most popular theories of learning as well as assess the role of memory as a

key contributory element. We focus more on how information is coded, stored and decoded for use in the near future.

THEORIES OF LEARNING

Psychologists who study learning have advanced several theories to explain the learning process. These theories range from those focusing on simple stimulus–response connections (behavioural theories) to perspectives that regard consumers as complex-problem solvers who learn abstract rules and concepts by observing others (cognitive theories). It is important for marketers to understand these theories as well because the basic learning principles are at the heart of many consumer purchase decisions.

Behavioural Learning Theories

Behavioural learning theories assume that learning takes place as the result of responses to external events. Psychologists who subscribe to this viewpoint do not focus on internal thought processes. Instead, they approach the mind as a "black box" and emphasize the observable aspects of behaviour, as Figure 6.1 depicts. The observable aspects consist of things that go into the box (*the stimuli or events perceived from the outside world*) and things that come out of the box (*the responses, or reactions to these stimuli*).





Two major approaches to learning represent this view—*classical conditioning* and *instrumental conditioning*. According to the behavioural learning perspective, the feedback people receive as that pass through life shapes their experiences. Similarly, they respond to brand names, scents, music, and other marketing stimuli because of the learned connections they form over time. People also learn that actions they take result in rewards and punishments, and this feedback influences the way they will respond in similar situations in the future. Consumers who receive compliments on a product choice are more likely to buy that brand again, but those who are served state food at a new restaurant are not likely to patronize it in the future.

Classical Conditioning

Classical conditioning occurs when a stimulus that elicits a response is paired with another stimulus that initially does not elicit a response on its own. Over time, this second stimulus causes a similar response because we associate it with the first stimulus. Ivan Pavlov, a Russian physiologist doing research on digestion in animals, first demonstrated this phenomenon in dogs. Pavlov induced classically conditioned learning by pairing a neutral stimulus (a bell) with a stimulus known to cause a salivation response in dogs (he squirted dried meat powder into their mouths). The powder was an **unconditioned stimulus (UCS)** because it was naturally capable of causing the response.

Over time, the bell became a **conditioned stimulus (CS)** (see Figure 6.2) as it did not initially cause salivation, but the dogs learned to associate the bell with the meat powder and began to salivate at the sound of the bell only. The drooling of these canine consumers because of a sound, now linked to feeding time, was a **conditioned response (CR)**. The same pinciple can be applied to the association of Cowboys to the consumption of Marlboro cigarettes.

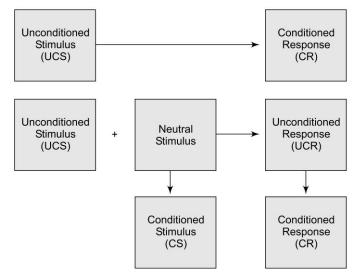


FIGURE 6.2 The Classical Conditioning Process

Indeed, this basic form of classical conditioning that Pavlov demonstrated primarily applies to responses to autonomic (e.g., salivation or the gagging for a smoke/cigarette) and nervous (e.g., eye blink or "dying for a fag") systems control. In other words, it focuses on visual and olfactory cues that induce hunger, thirst, sexual arousal, and other basic drives. When these cues are consistently paired with conditioned stimuli, such as brand names (e.g. Marlboro prior to smoking bans in public places in most parts of the developed world), consumers may learn to feel hungry, thirsty, or aroused when later exposed to the brand cues (e.g. a Cowboy in the case of Marlboro). Think about what it feels like (if you are a smoker, case you are not, ask any smoker you know in) to see your favourite actor taking a puff of cigarette in a movie.

Repetition occurs when the effects are more likely to occur after the conditioned and unconditioned stimuli have been paired a number of times. Repeated exposures increase the strength of stimulus–response associations and prevent the decay of these associations in memory. Many classic advertising campaigns consist of product slogans that companies repeat so often that they are imprinted on consumers' minds. Conditioning will not occur or will take longer if the CS is only occasionally paired with the UCS. One result of this lack of association is *extinction*, which occurs when the effects of prior conditioning diminish and finally disappear. For example, when a product is overexposed in the marketplace, its original attraction is lost.

Stimulus generalization refers to the tendency of stimuli similar to a CS to evoke similar, conditioned responses. For example, Pavlov noticed in subsequent studies that his dogs would sometimes

salivate when they heard noises that only resembled a bell, such as keys' jangling. People also react to other, similar stimuli in much the same way they respond to the original stimulus. This sort of generalization is often referred to as a **halo effect**. A bottle of private brand mouthwash deliberately packaged to resemble Listerine mouthwash may evoke a similar response among consumers who assume that this "me-too" product shares other characteristics of the original. Indeed, consumers in one study on shampoo brands tended to rate those with similar packages as similar in quality and performance as well. This "piggybacking" strategy can lead to different consequences: When the quality of the me-too product turns out to be lower than that of the original brand, consumers may exhibit even more positive feelings towards the original. However, if the quality of the two competitors is perceived to be about equal, consumers may conclude that the price premium they are paying for the original is not worth it. On this principle, some companies now use a strategy they call **masked branding**, where they deliberately *hide* a product's true origin, as was the case of matsui developed by the UK electronics retail giant – Dixons Group. Come to think of it, is the Infinity auto brand part of the Nissan family? Who owns the Lexus?

Stimulus discrimination occurs when a UCS does not follow a stimulus similar to a CS. When this happens, reactions are weakened and will soon disappear. Part of the learning process involves making a response to some stimuli but not to other, similar stimuli. Manufacturers of well-established brands commonly urge consumers not to buy "cheap imitations" because the results will not be what they expect. As an initiative to fight illicit replication of goods and to help enforce Intellectual Property Rights, some of the renowned international brands have launched the Brand Owners Protection Group (BPG) for the GCC and Yemen, based in Dubai.

Instrumental Conditioning

Also known as *operant conditioning*, **instrumental conditioning** occurs when we learn to perform behaviours that produce positive outcomes and avoid those that produce negative outcomes. We most closely associate this learning process with psychologist B. F. Skinner, who demonstrated the effects of instrumental conditioning by teaching pigeons and other animals to dance play Ping-Pong, and perform other activities by systematically rewarding them for desired behaviours.¹ Whereas responses in classical conditioning are involuntary and fairly simple, we make those in instrumental conditioning deliberately to obtain a goal, and may be more complex. We may learn the desired behaviour over a period of time as a **shaping** process rewards our intermediate actions. For example, your consumer behaviour professor may award you grades for class attendance and participation, or even for smart dressing, hoping that over time you will continue this behaviour even after the *incentive* is withdrawn.

Also, whereas classical conditioning involves a close pairing of two stimuli, instrumental learning occurs when a learner receives a reward *after* he performs the desired behaviour. Learning takes place over a period of time, while the learner attempts and abandons other behaviours that do not get reinforced. A good way to remember the difference is to keep in mind that in instrumental learning the person makes a response because it is *instrumental* in gaining a reward or avoiding a punishment. Over time, consumers come to associate with people who reward them and to choose products that make them feel good or satisfy some need. Instrumental conditioning occurs in one of the following three ways:

- 1. When the environment provides **positive reinforcement** in the form of a reward, this strengthens the response and we learn the appropriate behaviour. For example, a woman who gets compliments after wearing Obsession perfume learns that using this product has the desired effect, and she is more likely to keep buying the product.
- 2. Negative reinforcement also strengthens responses so that we learn the appropriate behaviour.
- 3. In contrast to situations where we learn to do certain things in order to avoid unpleasantness, **punishment** occurs when unpleasant events follow a response. For example, when you receive a parking or speeding ticket or fine, we learn the hard way not to repeat these behaviours.

To help you understand the differences among these mechanisms, keep in mind that reactions from a person's environment to his behaviour can be either positive or negative and that marketers can either apply or remove these outcomes (or anticipated outcomes) That is, under conditions of both positive reinforcement and punishment, the person receives a reaction after doing something. In contrast, negative reinforcement occurs when the person avoids a negative outcome—the removal of something negative is pleasurable and hence is rewarding.

Finally, when a person no longer receives a positive outcome, *extinction* is likely to occur, and the learned stimulus–response connection will not be maintained (as when a woman no longer receives compliments on her perfume). Thus, positive and negative reinforcements strengthen the future linkage between a response and an outcome because of the pleasant experience. This tie is weakened under conditions of both punishment and extinction because of the unpleasant experience. Figure 6.2 will help you to "reinforce" the relationships among these four conditions.

Cognitive Learning Theory

When considering cognitive learning, the emphasis is not on what is learned (i.e. in the stimulusresponse manner) but on how it is learned. Unlike behavioural theories of learning, *cognitive learning theory* approaches stress the importance of internal mental processes. This perspective views people as problem solvers who actively use information from the world around them to master their environments. Supporters of this view also lays emphasis on the role of creativity and insight during the learning process. Indeed, in the cognitive learning theory, we are concerned with what happens inside the black box and we try to infer what is going on by analysing behaviours and responses from the individual.

Observational Learning

Observational learning occurs when people watch the actions of others and note the reinforcements they receive for their behaviours—learning occurs as a result of *vicarious* rather than direct experience. This type of learning is a complex process; people store these observations in memory as they accumulate knowledge, perhaps using this information at a later point to guide their own behaviour. *Modeling* is the process of imitating the behaviour of others. For example, a woman shopping for a new kind of perfume may remember the reactions her friend made on wearing a certain brand several months earlier, and she will mimic her friend's behaviour with the hope of getting the same feedback. The modeling process is a powerful form of learning, and people's tendencies to imitate others' behaviours can have negative effects. Of particular concern is the potential of television shows and movies to teach violence to children. Children may be exposed to new methods of aggression by supposed role models (e.g., cartoon heroes) in the shows they

watch. At some later point, when the child becomes angry, he may imitate these behaviours. A classic study demonstrates the effect of modeling on children's actions.

The ability to learn vicariously by observing how others' behaviours are reinforced makes the lives of marketers much easier. Because people do not have to be directly reinforced for their actions, marketers do not necessarily have to actually reward or punish consumers for their purchase behaviours. Instead, they can show what happens to desirable models who use or do not use their products, knowing that consumers often will be motivated to imitate these actions at a later time. For example, a perfume commercial might depict a woman surrounded by numerous friends who are providing her with positive reinforcement for using the product. Consumers' evaluations of the people they model go beyond simple stimulus– response connections. For example, a celebrity's image elicits more than a simple reflexive response of good or bad. It is a complex combination of many attributes. In general, the degree to which a person emulates someone else depends on that model's level of *social attractiveness*—a term that can be based on several components, including physical appearance, expertise, or similarity to the evaluator.

The Memory Concept

Memory is a process of acquiring information and storing it over time so that it will be available when we need it. Contemporary approaches to the study of memory employ an *information*-*processing approach*. They assume that the mind is, in some ways, like a computer in the sense that first, data are input; second, data is processed; and third, data comes out as output to be used later in a revised form (i.e. information). In the **encoding** stage, information enters in a way the system will recognize. Figure 6.3 summarizes the memory process. In the **storage** stage, we integrate this knowledge with what is already in memory and "warehouse" it until it is needed. During **retrieval**, we access the desired information.

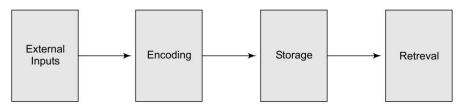


FIGURE 6.3 The Memory Process

Many of our experiences are locked inside our mends, and they may surface years later if the right cues prompt them. Marketers rely on consumers to retain information they have obtained about products and services, trusting they will apply it to future purchase decisions.

External Inputs

During the *consumer decision-making process* (which we will learn about in detail in Chapter 10), we combine this *internal memory* with *external memory*. This includes all of the product details on packages and other marketing stimuli that permit us to identify and evaluate brand alternatives in the marketplace.* Your typical grocery shopping list is a good example of a powerful external memory

^{*}Alba et al., (1992), Transitions in Preference over Time.

aid. When consumers use shopping lists, they buy approximately 80% of the items on the list. And the likelihood of a shopper purchasing a particular list item is higher if the person who wrote the list also participates in the shopping trip. This means that, if marketers can induce a consumer to plan to purchase an item before he goes shopping, there is a high probability that he will buy it.

Encoding

The way we *encode*, or mentally programme, information helps to determine how we will represent it in memory. In general, we have a better chance of retaining incoming data we associate with other information already in memory. For example, we tend to remember brand names we link to physical characteristics of a product category (e.g., Coffee-Mate creamer) or that we can easily visualize (e.g., Tide detergent) compared to more abstract brand names. Today, one of the biggest memory problems relates to our need to retain the numerous passwords we have to remember to function in our high-tech society. In fact, one in nine consumers keeps his passwords written down in electronic form—making the whole system so insecure that federal regulators require online banks to add more layers of authentication.¹ Sometimes we process a stimulus simply in terms of its *sensory meaning*, such as the literal colour or shape of a package. We may experience a feeling of familiarity when, for example, we see an ad for a new snack food we have recently tasted. In many cases, though, we encode meanings at a more abstract level. *Semantic meaning* refers to symbolic associations, such as the idea that the rich people drive Mercedes cars or that fashionable women own numerous pair of shoes.

Memory Systems

According to the information-processing perspective, there are three distinct memory systems—sensory memory, short-term memory (STM), and long-term memory (LTM). Each plays a role in processing brand-related information. Sensory memory permits storage of the information we receive from our senses. This storage is very temporary; it lasts a couple of seconds at most. For example, a man walking past a Falafel shop gets a quick, enticing aroma of something baking inside. Although this sensation lasts only a few seconds, it is sufficient to allow him to consider whether he should investigate further. If he retains this information for further processing, it passes through an attentional gate and gets transfered to short-term memory. Short-term memory (STM) also stores information for a limited period of time, and it has limited capacity. Similar to a computer, we can think about this system as *working memory*; it holds the information we are currently processing. Our memories can store verbal input *acoustically* (in terms of how it sounds) or *semantically* (in terms of what it means). Initially, researchers believed that our STM was capable of processing between five and nine chunks of information at a time—they described this basic property as "the magical number 7+/-2''. It now appears that three to four chunks is the optimal size for efficient retrieval.² Chunking is important to marketers because it helps determine how consumers keep prices in short-term memory when they embark upon price comparisons.³ Long-term memory (LTM) is the system that allows us to retain information for a long period of time.

Storage

Relationships among the types of memory are a source of some controversy. The traditional perspective, known as *multiple-store*, assumes that STM and LTM are separate systems. More

recent research has moved away from the distinction between the two types of memory, emphasizing instead the interdependence of the systems. According to this work, depending on the nature of the processing task, different levels of processing occur that activate some aspects of memory rather than others. We call these approaches activation models of memory. The more effort it takes to process information (so-called "deep processing"), the more likely it is that information will transfer into long-term memory.

According to activation models, an incoming piece of information is stored in an associative network containing many bits of related information organized based on some set of relationships. We each have organized systems of concepts relating to brands, manufacturers, and stores stored in our memories; the contents, of course, depend on our own unique experiences. Think of these storage units, or knowledge structures, as complex spider webs filled with pieces of data. Incoming information gets put into nodes that are linked with one another. When we view separate pieces of information as similar for some reason, we put them together under some more abstract category. Then, we interpret new, incoming information to be consistent with the structure we have created. This helps explain why we are better able to remember brands or stores that we believe "go together," for example, when Red Bull rather than Chanel, sponsored the Air Race 2010 in Abu Dhabi and the Extreme Sailing Series 2010 in Muscat, Oman. Recent research indicates that people can recall brands that are not as obviously linked (for example, when an unlikely product sponsors an event such as the Standard Chartered sponsoring the Dubai Marathon), but to do so marketers have to work hard to explain the linked relationship.⁴

Levels of Knowledge

Within a knowledge structure, we code elements at different levels of abstraction and complexity. Meaning concepts (such as "comfortable") get stored as individual nodes. We may combine these concepts into a larger unit we call a proposition (or a belief). A proposition links two nodes together to form a more complex meaning, which can serve as a single chunk of information. For example, "Emirates Airline is for business people" is a proposition. In turn, we integrate propositions to produce an even more complex unit called a *schema*, which is a cognitive framework we develop through experience. We encode information more readily that is consistent with an existing schema.⁵ The ability to move up and down among levels of abstraction greatly increases processing flexibility and efficiency. For this reason, young children who do not have well-developed schemas yet are not able to make as efficient use of purchase information as are older children.6

One type of schema especially relevant to consumer behaviour is a script, a sequence of events an individual expects to occur. As consumers we learn service scripts that guide our behaviour in commercial settings. We come to expect a certain sequence of events, and we may become uncomfortable if the service departs from our script. A service script for a visit to the dentist might include such events as (i) driving to the dentist, (ii) reading magazines in the waiting room, (iii) hearing name called and sit in the dentist's chair, (iv) the dentist injecting something into gums, (v) the dentist turning on high-pitched drill, and so on. This desire to follow a script helps to explain why such service innovations as automatic bank machines, automatic car park validation tickets, or "weight-your-own" fruits and vegetables have met with resistance by some consumers who have trouble adapting to new sequences of events.⁷

Retrieval

Retrieval is the process whereby we recover information from long-term memory. As evidenced by the popularity of the television show Millionaire or Who Wants to be a Millionaire, people have a vast quantity of information stored in their heads that is not necessarily available on demand. Although much of the information that enters our long-term memory does not go away, it may be difficult or impossible to retrieve unless the appropriate cues are present.

Factors Influencing Retrieval

Individual cognitive or *physiological factors* are responsible for some of the differences we see in the retrieval ability among people.⁸ Some older adults consistently display inferior recall ability for current items, such as prescription drug instructions, although they may recall events that happened to them when they were younger with great clarity. The recent popularity of puzzles, such as Sudoku, and centres that offer "mental gymnastics" attests to the emerging evidence that we can keep our retrieval abilities sharp by exercising our minds just as we keep our other muscles toned by working out on a regular basis.

Other factors that influence retrieval are *situational*; they relate to the environment in which the message is delivered. Not surprisingly, recall is enhanced when we pay more attention to the message in the first place. Some evidence indicates that we can retrieve information about a *pioneering brand* (the first brand to enter a market) more easily from memory than we can for *follower brands* because the first product's introduction is likely to be distinctive and, for the time being, no competitors divert our attention. In addition, we are more likely to recall descriptive brand names than those that do not provide adequate cues as to what the product is. Not surprisingly, the way a marketer presents his message influences the likelihood we will be able to recall it later.

The *spacing effect* describes the tendency for us to recall printed material more effectively when the advertiser repeats the target item periodically rather than presenting it repeatedly in a short time period.^{9, 10} The *viewing environment* of a marketing message also affects recall. For example, ads we see during baseball games yield the lowest recall scores among sports programmes because the activity is stop-and-go rather than continuous. Unlike football or basketball, the pacing of baseball gives many opportunities for attention to wander even during play. Similarly, a large-scale analysis of TV commercials found that viewers recall commercials shown first in a series of ads better than those they see last. The *nature of the ad* itself plays a big role in determining whether it is memorable. One recent study on print advertising reported that we are far more likely to remember spectacular magazine ads, including multipage spreads, three-dimensional pop-ups, scented ads, and ads with audio components.

Other Recall Considerations

Retrieval can take different forms depending on our moods; familiarity with the product, service or experience; and distinctiveness or novelty of the brand (i.e. brand salience). These three processes are discussed in brief below.

 State-dependent retrieval It illustrates that we are better able to access information if our internal state is the same at the time of recall as when we learned the information. So, we are more likely to recall an ad if our mood or level of arousal at the time of exposure is similar to that in the purchase environment. Re-creating the cues that were present when the information was first presented can enhance recall.

- 2. Familiarity and recall—As a general rule, prior familiarity with an item enhances its recall. Indeed, this is one of the basic goals of marketers who try to create and maintain awareness of their products. The more experience a consumer has with a product, the better use he makes of product information. However, there is a possible problem as familiarity can sometimes result in inferior learning and recall. When consumers are highly familiar with a brand or an advertisement, they may attend to fewer attributes because they do not believe that any additional effort will yield a gain in knowledge.¹¹ For example, when researchers expose consumers to a radio ad that repeats the audio track from a television ad they have already seen, they do very little critical, evaluative processing and instead mentally replay the video portion of the advertisement.
- 3. *Salience and recall*—The **salience** of a brand refers to its prominence or level of activation in memory. Stimuli that stand out in contrast to their environments are more likely to command attention which, in turn, increases the likelihood that we will recall them. Almost any technique that increases the novelty of a stimulus also improves recall. This explains why unusual advertising or distinctive packaging tends to facilitate brand recall.¹² Introducing a surprise element in an ad can be particularly effective in aiding recall, even if it is not relevant to the factual information the ad presents. In addition, *mystery ads*, in which the ads do not identify the brand until the end, are more effective at building associations in memory between the product category and that brand—especially in the case of relatively unknown brands.

Exhibit 6.1

PICTORIAL OR VERBAL CUES—WHO'S THE BOSS?

There is some evidence for the superiority of visual memory over verbal memory, but this advantage is unclear, especially in the context of Arab cultures. However, the available data indicate that we are more likely to recognize information presented in picture form at a later time. Certainly, visual aspects of an ad are more likely to grab a consumer's attention. In fact, eye-movement studies indicate that about 90% of viewers look at the dominant picture in an ad before they bother to view the copy (i.e. the written script). Although pictorial ads may enhance recall, they do not necessarily improve comprehension. One study found that television news items presented with illustrations (still pictures) as a backdrop result in improved recall for details of the news story, even though understanding of the story's content does not improve. Indeed one study confirmed that typically consumers recall ads with visual figures more often and like them better.

Sources:

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WHY SHOULD MARKETERS' CARE ABOUT CONSUMERS' MEMORY?

Forgetting by consumers is a big headache for marketers. Early memory theorists assumed that memories simply fade away with the passage of time. Marketers obviously hope that consumers will not forget about their products. In a process of decay, the structural changes learning produces in the brain simply go away. Forgetting also occurs as a result of **interference**; as we learn additional information, it displaces the earlier information. Consumers may forget stimulusresponse associations if they subsequently learn new responses to the same or similar stimuli; we call this process *retroactive interference*. Our prior learning can interfere with new learning, a process we term *proactive interference*. Because we store pieces of information in memory as nodes linked to one another, we are more likely to retrieve a meaning concept that is connected by a larger number of links. But as we learn new responses, a stimulus loses its effectiveness in retrieving the old response.¹³ These interference effects help to explain problems in remembering brand information. Consumers tend to organize attribute information by brand. Additional attribute information regarding a brand or similar brands may limit the person's ability to recall old brand information. Recall may also be inhibited if the brand name is composed of frequently used words. These words cue competing associations and, as a result, we retain less brand information. It has also been known that increasing the salience of a brand impairs the recall of other brands. However, calling a competitor by name can result in poorer recall for one's own brand.

Products as Retrieval Cues

Products and ads can themselves serve as powerful retrieval cues. Indeed, the three types of possessions consumers value most are furniture, visual art, and photos. These objects are most likely to bring memories from the past.¹⁴ Researchers find that valued possessions can evoke thoughts about prior events on several dimensions, including sensory experiences, friends and loved ones, and breaking away from parents or former partners.¹⁵ Food can do the same thing: A recent study looked at how favourite recipes stimulate memories of the past. When the researchers asked the informants to list three of their favourite recipes and to talk about these choices, they found that people tended to link them with the memories of past events such as childhood memories, family holidays, and other special events.

Products are particularly important as markers when our sense of the past is threatened (see Exhibit 6.2 for an illustration), as for example, when an event, such as graduation, challenges a consumer's current identity.¹⁶ Our possessions often have *mnemonic* qualities that serve as a form of external memory by prompting consumers to retrieve episodic memories. For example, family photography allows consumers to create their own retrieval cues, the billion photos we take annually form a kind of external memory bank for our culture. A stimulus is, at times, able to evoke a weakened response even years after we first perceived it. We call this effect **spontaneous recovery**, and this reestablished connection may explain consumers' powerful emotional reactions to songs or pictures they have not been exposed to in quite a long time.

Why do consumers respond well to nostalgia appeals? According to one consumer analyst, "We are creating a new culture, and we don't know what's going to happen. So we need some warm fuzzies from our past".¹⁷ With the spread of global corporate power and the Arab world opening to global brands, Western ideals and consumerism, consumers seem to welcome the comfort of

Exhibit 6.2

THE MARKETING POWER OF NOSTALGIA

Marketers often resurrect popular characters and stories from days gone by; they hope that consumers' fond memories will motivate them to revisit the past. Mr Hairb's success story with the creation of the 3D animated project FREEJ is in part due to the strong connection between the FREEJ's characters and cultural heritage. What emotions do the FREEJ's characters evoke in you? Nostalgia describes a bittersweet emotion where we view the past with both sadness and longing. References to "the old days" are increasingly common, as advertisers call up memories of the past—and hope these feelings will translate to what they're selling today.

Even Dubai's growth is taking place with a nostalgic appeal in mind. Despite all the globalizing 'talk' over Dubai, the idea of preserving the United Arab Emirate's historical heritage is remarkably persistent. In an effort to preserve traditions, numerous projects incorporate Islamic and Arabic values. The Dubai Mall has been inspired by Arab architecture and the Burj Dubai reflects Arab patterns and geometry. Similarly, names of projects such as Ibn Batuta mall (named after the Arab traveller 1307–1377 CE) and Wild Wadi (Wild River) display a salient appeal to nostalgia.

Source: Susan L. Holak and William J. Havlena, "Feelings, Fantasies, and Memories: An Examination of the Emotional Components of Nostalgia," Journal of Business Research, 42 (1998): 217-26; Stephen Brown, Robert V. Kozinets, and John F. Sherry, "Teaching Old Brands New Tricks: Retro Branding and the Revival of Brand Meaning," Journal of Marketing, 67 (July 2003): 19-33.

items from the past. Marketers such as *Melody Aflam* or *Melody Tahahda El Mallal* are sponsoring campaigns that celebrate their Arabic heritage. Some marketing strategies bring back themes and characters from old shows to sell new products.

These products trigger nostalgia, and researchers find that they often inspire consumers to think back to an era where (at least in our memories) life was more stable and simple.

Measuring Memory in Marketing Messages

Because marketers spend so much money to place their messages in front of consumers, they are naturally concerned that people will actually remember these messages at a later point. It seems that they have good reason to be concerned. In one study, fewer than 40% of television viewers made positive links between commercial messages and the corresponding products, only 65% noticed the brand name in a commercial, and only 38% recognized a connection to an important point. Ironically, we are more likely to remember companies that we do not like, perhaps because of the strong negative emotions they evoke. In a 2007 survey, for example, that assessed both recall of companies and their reputations, four of the ten best-remembered companies also ranked in the bottom 10 of reputation rankings including key players such as Ford Motor Co., General Motors Corp. and Exxon Mobil Corp.¹⁸

Problems with Memory Measures

Although measuring an ad's memorability is important, analysts have questioned whether existing measures accurately assess these dimensions for several reasons, which we explore now.

Response biases The results we obtain from a measuring instrument are not necessarily based on what we are measuring, but rather on something else about the instrument or the respondent. This form of contamination is a **response bias**. For example, people tend to give "yes" responses to questions, regardless of what they are asked. In addition, consumers often are eager to be "good subjects" by pleasing the experimenter. They will try to give the responses for which they think he is looking.

Memory lapses People are also prone to unintentionally forgetting information. Typical problems include *omitting* (leaving facts out), *averaging* (the tendency to "normalize" memories by not reporting extreme cases), and *telescoping* (inaccurate recall of time). These distortions call into question the accuracy of product usage databases that rely on consumers to recall their purchase and consumption of food and household items. For example, one study asked people to describe what portion of various foods—small, medium, or large—they ate in a typical meal. However, the researchers used different definitions of "medium." Another study documented the **illusion of truth effect**, where telling people (especially elderly subjects) that a consumer claim is false can make them misremember it as true. Respondents were repeatedly told that a claim was false. After a three-day delay, they were likely to remember it as true. This is because the repetition of the claim increases familiarity with it, but respondents do not retain their memories of the context (where the claim was debunked). This effect has potentially important implications, especially for social marketing campaigns that try to educate people about false claims.¹⁹

DEVELOPMENT OF BRAND LOYALTY AND BRAND EQUITY

In studies of brand loyalty, there have been indications that the concept stems from cognitive psychology, which is based on the consumer's cognitive processes such as brand awareness, perceived quality, brand loyalty, brand relationship, brand personality and impressions.²⁰ The emphasis is on what makes a brand strong – i.e. the creation of loyal customers. Indeed, among the concepts used in describing strong brands, brand loyalty is perhaps the one that received the most attention by scholars and practitioners. In recognition of this, brand loyalty can be defined as "*a deeply held commitment to rebuy or repatronize a preferred brand consistently in the future, despite situational influences and marketing efforts having the potential to cause switching behaviour*".²¹

In other words, brand loyalty involves repeat purchasing (i.e. rebuy or repatronize) of a product and/or brand. Such repeat purchasing can also be explained using the operant conditioning learning model, which suggests that if the purchasing of the same product or service is reasonably rewarding, it can become repetitive. However, loyalty can mean more than just repeat purchasing seen in operant conditioning. It can involve other cognitive processing where it is presumed that repeat purchase loyalty involves **commitment** and a stronger **affective** motivator. Indeed even if a cheaper alternative is available, the consumer would continue to buy the first brand because of greater commitment and/or trust. Cognitive learning theories do confirm that consumers can be loyal to brands (e.g. Apple, the leading telecom, computing and tablet maker), stores (e.g. Carrefour, the French supermarket giant), and corporations (e.g. Toyota, the Japanese automaker).

Both perspectives in a transaction are worth highlighting – the marketer's and the consumer's. First, from a marketer's perspective, customer loyalty is an important concept because greater **loyalty** can lead to a number of benefits such as reduction in marketing costs (especially advertisements),

increased opportunities for brand extensions and an improved market share. Furthermore, it has been proven that loyal customers can be a good source for spreading positive word-of-mouth as well as serving in the capacity of brand **advocates**. They are also bound to offer greater resistance to competitive offerings. Indeed, more companies than ever have now realized the significance of retaining their existing customers and increasingly develop marketing programmes (e.g. relational marketing activities) in order to improve their retention rates. Second, from a consumer's perspective, greater levels of loyalty may mean that they have a great deal of passion and commitment to the brand and result in reduction in search costs, perceived risk and enhancement of self-concept.

Researchers have identified four market segments (brand loyalists, routine brand buyers, information seekers, and brand switchers), with different levels of intrinsic self-relevance for a product category and brand. Those with the strongest feelings are brand lovalists and routine brand *buyers*. Brand loyalists have strong affective ties to one favourite brand that they buy regularly (e.g. Apple products). They also perceive the product category in general provides personally relevant consequences. Their intrinsic self-relevance includes positive means-end knowledge about both the brand and the product category, and leads them to experience high levels of involvement during decision-making. They strive to buy the best brand for their needs. For example, consumers tend to have a strong brand loyalty for electronic appliances (mostly Japanese electronics) such as Sony and Panasonic. Routine brand buyers, on the other hand, have low intrinsic self-relevance for the product category, but have a favourite brand they buy regularly (little brand switching). To these consumers, a satisfactory brand will do, e.g. the Korean brands such as LG or Samsung. Further considerations of brand loyalty will be discussed in Chapter 12 on relationship marketing and consumer behaviour where the subject of customer relationship and brand loyalty is elaborated. In Chapter 15 also, a discussion on organizational customer and buying behaviour, which covers elements of the organizational customer relationship management, is given. Needless to add that loyalty to brands (i.e. including products and services) is dependent on consumers' level of involvement with the brand in question. In the following section, these levels of involvement are discussed for illustrative purposes.

LEVELS OF INVOLVEMENT

Loyalty to a brand is, more often than not, dependent upon the user's level of involvement. The concept of involvement with a brand simply refers to an individual's intensity of interest in a brand and the importance of the brand for that person. It can be classified in terms of low, high, enduring, and situational. Taking these in turn, **low involvement** is evident when brands tend to be less expensive and have less associated social risk, such as many grocery items (e.g. breakfast cereals such as Kellogg's). **High involvement** brands, however, tend to be those that are *visible* to others (e.g., clothing, furniture, or automobiles) and *expensive*, as well as being of *high importance*, such as healthcare (e.g. private hospitals as compared to the public hospitals). **Enduring involvement** is a person's ongoing and long term interest in a brand category (e.g. an alumnus of Harvard University). Finally, **situational involvement** is a person's temporary and dynamic interest in a brand, which usually results from a particular set of circumstances (i.e. the need to buy a new car, after being involved in an accident, etc.).

Cognitive learning usually involves some form of reasoning where people need to think about what stimuli they are exposed to (either audio or visual) in order to remember the information. If a

person has a low level of involvement (as discussed in Chapters 4 and 5) with the product or brand, it will certainly take much longer for the stimulus to sink in, whereas if the same individual or group of persons have a high level of involvement with the product, then the stimulus is processed and absorbed much more effectively. Have you ever wondered why marketers have started encouraging consumer-generated content? Think about YouTube and, more importantly, Wikipedia and why your teachers warn you about the credibility of the latter as a source for scholarly work.

Levels of Involvement and Problem-Solving Types

The level of involvement as well as other factors, affects a person's selection of one of three types of consumer problem solving - (i) Routinized response behaviour, (ii) Limited problem solving, and (iii) Extended problem solving.

Routinized response behaviour is the consumer problem-solving process used when buying frequently purchased, low-cost items needing very little search-and-decision effort. Examples of these include the purchase of convenience products such as a bottle of milk, a newspaper or a pint of lager at the local pub near the university at lunch time. *Limited problem solving* refers to the consumer problem-solving process employed when buying occasionally or when the consumer needs to obtain information about an unfamiliar brand in a familiar product category. The kinds of products that call for this problem solving would include shopping goods such as white goods (e.g. dishwasher, tumble dryer or fridge freezer, etc.). *Extended problem solving* is a consumer problem-solving process employed when purchasing unfamiliar, expensive, or infrequently bought products. Examples here are typically either *specialty goods* (e.g. golf clubs, camping gear, rare artifacts or work of art) or unsought goods such as financial services investment choices and decisions (e.g. stocks and shares, premium bonds or even mortgage advice).

To conclude, it is worth recollecting that learning is not always a structured process undertaken in a classroom environment. It also involves observing friends and family as well as others unknown to us, who we consciously or unconsciously try to emulate or imitate. In doing this, however, memory plays a key part, as already discussed in this chapter. Our ability to store information in our long-term memory has the capacity to make us loyal to certain brands. Think about the history of Kolkata's *Eden Gardens* for instance (see the end-of-chapter case study) and what it means to cricket-loving fans.

SUMMARY

- Learning is a change in behaviour that experience causes. It can occur through simple associations between a stimulus and a response or via a complex series of cognitive activities.
- Behavioural learning theories assume that learning occurs as a result of responses to external events.
- Classical conditioning occurs when a stimulus that naturally elicits a response (an unconditioned stimulus) is paired with another stimulus that does not initially elicit this response. Over time, the second stimulus (the conditioned stimulus) comes to elicit the response even in the absence of the first.
- Classical conditioning involves the pairing of two stimuli, whereas instrumental (or operant) learning occurs when reinforcement occurs following a response to a stimulus. In other words, conditioning occurs as the person learns to perform behaviours that produce positive outcomes and avoid those that result in negative outcomes.

- Such reinforcement is positive if a reward follows a response. It can, however, become negative if the person avoids a negative outcome by not performing a response. Punishment thus occurs when an unpleasant event follows a response. Extinction of the behaviour will occur if reinforcement no longer occurs.
- Cognitive learning occurs as the result of mental processes. For example, observational learning occurs when the consumer performs a behaviour as a result of seeing someone else performing it and being rewarded for it.
- Memory is the storage of learned information. The way we encode information when we perceive it determines how we will store it in memory. The memory systems, we call sensory memory, short-term memory, and long-term memory each, play a role in retaining and processing information from the outside world.
- Marketers' would always like to know how we store, process and retrieve information as this would affect our loyalty to their brands.

OBJECTIVE TYPE QUESTIONS

- 1. The famous Pavlov experiment presents a clear illustration of _____.
 - (a) Consumer learning
 - (b) Instrumental conditioning
 - (c) Operant conditioning
 - (d) Classical conditioning
- 2. Another name for *instrumental conditioning* is _____.
 - (a) Operant conditioning
 - (b) Neo-classical conditioning
 - (c) Stimulus conditioning
 - (d) Reward conditioning
- 3. _____ involves a process of acquiring information and storing it over time so that it will be available when needed.
 - (a) Memory
 - (b) Recognition
 - (c) Comprehension
 - (d) Attention
- 4. If a woman gets compliments after wearing Obsession perfume, she is more likely to keep buying the product and wearing it. What type of instrumental conditioning has occurred in the situation?
 - (a) Neutral reinforcement
 - (b) Positive reinforcement
 - (c) Negative reinforcement
 - (d) Symbolic reinforcement
- 5. What kind of learning occurs when it is based on observing the behaviour of others and emulating it?
 - (a) Behavioural learning
 - (b) Active learning
 - (c) Student learning
 - (d) Observational learning

REVIEW QUESTIONS

- 1. Using examples, explain the major differences between behavioural and cognitive theories of learning.
- 2. Compare and contrast between classical and instrumental conditioning.
- 3. How do different types of reinforcement enhance learning?
- 4. List the three types of memory, and tell how they work together.
- 5. Define nostalgia, and tell why it is such a widely used advertising strategy.

ACTIVITIES

- 1. Identify some important characteristics of a product with a well-known brand name. Based on these attributes, generate a list of possible brand extension or licensing opportunities, as well as some others that would most likely be accepted by consumers.
- Collect some pictures of "classic" products that have high nostalgia value. Show these pictures to your friends or classmates. Analyse the types of memories that may be evoked, and think about how a marketer might employ these associations in a product's promotional strategy.

Hints

- Think about breakaway brands such as Bollywood, which is originally based on the Indian movie industry and has now been extended to weddings, tourism, cuisine and even news portals (see http:// www.bollywoodworld.com/).
- 2. An interesting approach to tacking this activity might involve listening to movie or music classics. Think about the heydays of movies such as the 1970s classic *Anand*, *Benaam* and *Bansi Birju*, as well as songs such as *hamein tumse hua hai pyar*, *mere sar pe dupatta*, and *chali aa chali aa* which might have been very popular (see http://www.desimusic.com/music/oldies/songs/4017/anand.html).

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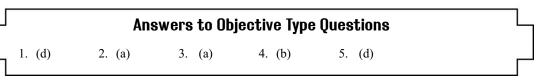
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ICC Cricket World Cup 2011

Jointly organized by the International Cricket Council (ICC) and the Bangladesh Cricket Board, in conjunction with two other countries India and Sri Lanka the 2011 Cricket World Cup took place between 19 February and 2 April 2011. Typical of most host nations of such international sporting events, the opening ceremonies are usually highly capital intensive running into millions of US dollars. This year's opening ceremony at Dhaka's Bangabandhu National Stadium is estimated to cost US \$30 m (£18.6 m). Although there are three large stadia in the Bangladesh, Dhaka's Bangabandhu National Stadium is not used for any World Cup matches, even though it plays the role of host venue for the opening ceremony. The more modern Mirpur and Chittagong will host eight matches between them. Bangladesh, with a population of more than 160 million, is jointly hosting with India and Sri Lanka and thoroughly enjoying its rare moment in the sporting spotlight. It is the first time the country has helped stage the showpiece event. There are elements of national pride and commitment to such mega events to such an extent that:

- ▲ It was opened by Prime Minister Sheikh Hasina.
- ▲ The government declared a half-day public holiday on Thursday 16 February in order to enable people return home in good time to view the opening ceremony on television.
- ▲ Bangladesh Cricket Board president, Mostafa Kamal, declared that the event was a viable way "... to improve our image if we can successfully hold the opening ceremony and host the World Cup matches slated for us."

There were doubts the Mumbai and Kolkata cricket grounds would be ready in time for the tournament. Indeed, delays associated with these grounds seemed to result in the shift of the India-England match from Kolkata to Bangalore. This shift obviously infuriated the *Barmy Army* (nickname of the official English supporters club), whose leader and co-founder, Paul Burnham, pointed out that such last minute venue change to one of England's games has left many fans out of pocket. The switch to Bangalore (more than 1,200 miles away) from Kolkata came after a ruling that the latter's iconic "Eden Gardens" would not be ready on time. Whatever be the reasons or excuses, fans would store this experience in their long-term memory. According to Burnham, "*People are absolutely fuming [...] they'd bought tickets, booked flights and accommodation and now it has been pulled last minute.*"

KOLKATA'S ICONIC EDEN GARDENS

Memory lapses seem rare when it comes to international sporting events such as the Cricket World Cup, or so it seems. Eden Gardens has become a place of pilgrimage for international cricketers

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and fans, having first hosted a Test match in 1934; the match between 1983 champions (India) and three-time runners-up (England); staged the 1987 World Cup final when Australia beat England. Other key matches planned for Eden Gardens included Ireland's matches against South Africa (15 March) and the Netherlands (18 March) and Kenya's encounter with Zimbabwe (20 March).

Before its recent renovation, the cricket ground held an audience of 90,000 people. Despite these credentials, Eden Gardens seems to have fallen out of favour with the ICC. It was recently reported that the 1983 champions (India) and three-time runners-up (England) were slated to clash at Eden Gardens in what was largely touted as one of the highlights of the month-long tournament group stage, with tickets first going on sale nearly a year ago in June 2010. But after a final inspection late January 2011, the ICC ruled that the venue did not meet its standards with regard to "cricket operations, media, broadcast and sponsorship facilities."

There are two sides to the story anyhow. On the one hand, while fans who booked tickets and travelled through the ICC's official tour provider either had their trips rescheduled or received full refunds. Burnham said well over 100 Barmy Army members, who had booked independently, were losing considerable amounts of money. From the organizers' perspective, on the other hand, some degree of service failure recovery has been put in place. According to Colin Gibson, ICC media and communications CEO, the change of venue was an 'unfortunate and sad situation' but the importance of booking tickets and travel through official outlets means that fans might not suffer extensively as a result of any changes. The only valid tickets that are out there at the moment are through official tour operators or through our online ticket agency. The tour operators will work with spectators to make sure those trips are re-organized for Bangalore rather than Kolkata. "The ticket agency knows who has the tickets and is already contacting them to help them rearrange their trips."

Overall, the race to prepare Eden Gardens and other World Cup venues carries echoes of the run-up to New Delhi's 2010 Commonwealth Games, which were hit by delays, shoddy workmanship and alleged corruption. It is not clear how much learning fans and other stakeholders have stored in their short and long-term memory.

Sources: Based on various media reports including the following: BBC Sport (17 February 2011), "Cricket World Cup: Dhaka ready for opening ceremony". Online at: http://news.bbc.co.uk/sport2/hi/cricket/9400288. stm; BBC Sport (14 February 2011) Cricket World Cup: Mumbai and Kolkata will host matches. Online at: http://news.bbc.co.uk/sport2/hi/cricket/9397324.; Sam Sheringham (2011) Cricket World Cup venue change angers England fans. BBC Sport, 3 February Online at: http://news.bbc.co.uk/sport2/hi/cricket/ england/9384731.stm

DISCUSSION QUESTIONS

- 1. What can you remember/recall from Delhi 2010 Commonwealth Games? Compare that event with the 2011 ICC jointly hosted by Bangladesh, Sri Lanka and India.
- 2. In your comparison above, discuss any learning experiences that may be derived that would be useful for successful staging of international events of the kind witnessed in South Asia in the last two years.
- 3. What are the four ICC minimum standards for hosting the ICC world cup? To what extent are these standards justifiable?

Consumer Perception

LEARNING OBJECTIVES

After reading this chapter, you should be able to:

- Hunderstand the process of perception, from how it is organized to how it is interpreted
- Know the concept of sensations and thresholds and how these impact on brand perceptions
- Explain the factors affecting perception such as intensity, size and novelty
- Discuss consumer image and its marketing applications
- Evaluate the different types of risks and how to mitigate the perceptions of these

Perception is the process by which people select, organize, and interpret sensations, i.e. the immediate response of sensory receptors (such as the eyes, ears, nose, mouth, and fingers) to such basic stimuli as light, colour, odour, texture, and sound. Anything that activates a receptor is called a *stimulus*. The study of perception focuses on what we *add* to raw sensations in order to give them meaning. Each individual interprets the meaning of a stimulus to be consistent with his or her own unique biases, needs, and experiences. As Figure 7.1shows, the three stages of exposure, attention, and interpretation make up the process of perception.





Overall, perception is simply the process of (i) selecting, (ii) organizing, and (iii) interpreting information inputs in order to produce meaning that would aid in consumption decision-making. At the exposure phase, information inputs are sensations received through our sense organs (i.e., sight, taste, hearing, smell, and touch). For example, when we see or hear an advertisement, smell or touch a product, we receive information inputs. These processes are collectively referred to as the process of perception.

PROCESS OF PERCEPTION

The following is the process of perception:

1. Exposure

Exposure occurs when a stimulus comes within the range of someone's sensory receptors sight, smell or touch. Consumers may either tend to concentrate on certain stimuli while being completely unaware of others, or they may even go out of their way to ignore certain messages.

2. Attention

Attention refers to the extent to which processing activity is devoted to a particular stimulus. Consider, for example, the thought of having to sit through both interesting and "less interesting" lectures. This can vary depending on both the characteristics of the stimulus (i.e., the lecture itself) and the recipient (i.e., your mental state at that time). Consumers often are in a state of *sensory overload*, where they are exposed to far more information than they can process. Taken from a marketing perspective, we are often bombarded with marketing stimuli from commercial sources, thus making the competition for our attention an ever-increasing phenomenon.

3. Interpretation

Interpretation refers to the meaning that we assign to sensory stimuli. Just as people differ in terms of the stimuli that they perceive, the meanings we assign to these stimuli vary as well. Two people can see or hear the same event, but their interpretation of it can be as different as night and day, depending on what they had expected the stimulus to be. The meaning we assign to a stimulus depends on the *schema* (i.e., set of beliefs), to which we assign it. Identifying and evoking the correct schema is crucial to many marketing decisions because this determines what criteria consumers will use to evaluate the product, package, or message.

PERCEPTUAL ORGANIZATION

Our brains tend to relate incoming sensations to others already in memory, based on some fundamental organizational principles. These principles derive from *Gestalt psychology*, a school of thought that maintains that people interpret meaning from the *totality* of a set of stimuli rather than from any individual stimulus. In other words, the concept suggests that "*the whole is greater than the sum of its parts*." By implication, a piecemeal perspective that analyses each component of the stimulus separately cannot capture the total effect. The *Gestalt* perspective provides several principles relating to the way our brains organize stimuli. Three principles are worth elaborating here:

- 1. The *closure principle* states that people tend to perceive an incomplete picture as complete. For example, when we hear only part of a jingle or theme. Marketing strategies that use the closure principle encourage audience participation, which increases the chance that people will attend to the message.
- 2. The *principle of similarity* tells us that consumers tend to group together objects that share similar physical characteristics. *Green Giant* relied on this principle when the company redesigned the packaging for its line of frozen vegetables. It created a "sea of green" look to unify all of its different offerings.
- 3. The *figure-ground principle* states that one part of a stimulus will dominate (the *figure*), and other parts recede into the background (the *ground*). The figure is dominant, and the eye goes straight to it. For example, 70% off could be the eye catcher for a pair of *ray ban* sunglasses but, on closer inspection, you might notice that the offer is subject to certain terms and conditions.

SENSORY SYSTEMS

Talking of the process of perception, you may recall that we are first exposed to stimuli before any serious attention may be given. Such exposure is obviously to our sensory receptors and the processing occurs within our sensory systems. For example, we can receive external stimuli, or *sensory inputs*, on a number of channels. We may see a billboard, hear a jingle, feel the silkiness of a quality *saree* (traditional South Asian dress), taste a new flavor of Turkish coffee, or smell of the Arabian musk. The inputs our five senses detect are the raw data that begin the perceptual process. For example, sensory data emanating from the external environment (e.g., hearing a music clip on the radio) can generate internal sensory experiences when the song triggers a young man's memory of his encounter with his bride and brings to mind the smell of her perfume as they finally get to meet in her court. The unique sensory quality of a product can play an important role in helping it stand out from competition, especially if the brand creates a unique association with the sensation. In recent years, the sensory experiences we receive from products and services have become an even larger priority when we choose among competing products and/or brands. Table 7.1 provides an illustration of the five senses and how these impact upon our perceptual processing.

Sense	Illustration			
Smell	Aroma—sweet smelling scents of deodorants and/or coffee			
Sound	Music soundtracks in TV commercials can affect message interpretation (pleasant music tends to arouse positive emotions)			
Taste	Blind tests tend to show the importance of brand image (Coca Cola blind tests are a classic in this regard). See also Madichie (2011a) on the taste attributes of the Nigerian Guinness			
Touch	This is particularly important for bricks-and-mortar retailing and can be problematic for online retailers. Marketers have now started inserting samples of fabrics in magazines			
Vision/Sight	The use of colour in packaging has an impact on our senses—think about the red and yellow representing speed, e.g. Kodak, DHL and McDonalds			

 TABLE 7.1
 Perception and the Use of Senses

1. Smell

Smell, good or bad (i.e. aroma or odour), can stir up emotions or create a calming effect – especially in the case of aromas. They can also invoke memories or relieve stress, as in the case of aromatherapy (where scents are used for healing). One study found that consumers who viewed ads for either flowers or chocolate and who also were exposed to flowery or chocolatey odours spent more time processing the product information and were more likely to try out different alternatives within each product category. Many consumers control the odours in their environments and this growing interest has created and/or re-created a lot of new products in recent years. Overall, the sense of smell is related to pleasure and well-being and is closely connected to emotions and memories.

2. Sound

The sense of sound is linked to emotions and feelings and the sense impacts brand experiences and interpretations. It is by no coincidence that we are bombarded with the sound of music all the time. Obviously, our senses and especially vision (sight) cannot seem to work in isolation in today's consumerist world. Think about how Radio advertisements tend to trail their TV counterparts in marketers' ad spend. Better still think about how you would feel watching a movie while the volume control is on mute. Could it be pure accident that electronics manufacturers launched the "home theatre" surround system for our enjoyment of movies?

3. Taste

Our taste receptors obviously contribute to our experience of many products. So-called *"flavour houses"* keep busy developing new concoctions to please the changing palates of consumers. Scientists are right behind them as they develop new devices to test these flavours. Coca-Cola and PepsiCo use the tongue to test the quality of corn syrups, whereas drugs manufacturers such as Roche have been known to use the device to devise medicines that do not taste bitter.¹ Changes in our culture also determine the tastes we find desirable. For example, consumers' greater appreciation of different ethnic dishes has contributed to increased desires for spicy foods. For example, Nandos, the Portuguese/South African restaurant chain, is popular for its *peri peri* chicken and dishes.

4. Touch

Although scientists have done relatively little research on the effects of tactile stimulation on consumer behaviour, common observation tells us that this sensory channel is important. Consider the classic, contoured Coca-Cola bottle, which was designed to satisfy the request of a US bottler for a soft-drink container that people could identify even in the dark. Indeed sensations that reach the skin, whether from a luxurious massage or the chill of a winter wind, stimulate or relax us. Researchers even have shown that touch can influence sales interactions. Britain's Asda supermarket (a part of the Walmart Group) is reported to have removed the wrapping from several brands of toilet tissue in its stores so that shoppers could feel and compare textures—an experiment that resulted in soaring sales for its own in-store brand by up to 50% increase in shelf space.²

5. Vision

Marketers rely heavily on visual elements in advertising, store design, and packaging. They communicate meanings on the *visual channel* through a product's colour, size, and styling.

Philips gives its electronics a younger feel by making them thinner and more colourful. Colours may even influence our emotions more directly. Evidence suggests that some colours (particularly red) create feelings of arousal and stimulate appetite, and others (such as blue) create more relaxing feelings. Yet others such as pink may represent the symbol of independence—or resistance as in the case of the Indian State of Uttar Pradesh (see Exhibit 7.1).

Exhibit

FANCY A LADY IN PINK? MIND YOU THAT'S THE COLOUR OF INDEPENDENCE!

The Gulabi (in Hindi, gulabi means pink) gang is an all-female, pink-clad vigilante group that strikes fear in the hearts of adulterers, wife beaters and other wrongdoers. Since their formation in 2007 in Banda, an impoverished and lawless district in the rural interiors of the Indian State of Uttar Pradesh, the Gulabi gang has gone after wife beaters with *lathis*, the traditional Indian bamboo baton. They have also taken their fight to corrupt policemen.

Dressed in pink saris, thousands of women have banded together in the Gulabi gang to help the poor, the powerless and themselves in India's troubled Uttar Pradesh region. Bundelkhand in south-east Uttar Pradesh is among the most underdeveloped and poverty-stricken areas in India. Crime and government corruption are rampant. The upper-caste people rule by the strength of their money and influence. The poor, lower-caste people are daily wage labourers or work as farmers in the fields owned by the elite.

The situation for women in Bundelkhand is even worse. To prevent free mixing with boys, residents do not send their girls to school. Girls are generally married off at an early age. There are many instances in which in-laws torture and even burn young girls if the parents cannot satisfy them materially after marriage, even though the dowry has been paid. Abandoning a girl after a few years of marriage is also common here, as most of the marriages are not registered in the civil court. Domestic violence is prevalent. Most of the rape and sexual abuse cases are not reported to the police for fear of social stigma, and hence the rates are high. Sampat Pal Devi, 48 and a mother of five, has emerged as a voice for these women. She got together with a group of like-minded women from the area and they christened themselves the "Gulabi Gang." They quickly became popular for their *gulabi* (pink) saris—pink is an 'independent' colour in India, not aligned, as are other colours, with a particular political party—and for their fierce ways of solving problems and helping each other.

The gang came into prominence in 2007, when they beat up the then-officer in charge of the police station in the nearby town of Attara. The incident happened when Devi and her group intervened in a matter on request from a lower-caste woman whose husband was kept in police custody for 13 days without charges. Devi demanded the officer register a case or release the man. When the officer abused her verbally, Devi says, she flared up and slapped him, and the other gang members then beat him. The officer was eventually suspended on disciplinary grounds. The incident drew media attention and ignited a debate over the use of violence to solve problems. The gang was noticed by government and local officials, and their reputation grew. The group that began with a few members now boasts of 300,000 members in the state

of Uttar Pradesh alone. Nowadays, they not only deal with people's personal problems but also intervene in public matters. They first try to solve a problem in a non-violent manner, and if that does not work, they resort to other methods. In cases of corrupt or irresponsible government officials, gang members may shame them in public, threaten them or beat them up. According to Devi, physical violence has proved the most effective solution, although she now says it has mostly become unnecessary:

Sources: Chopra, A. (17 January 2009), Pink-clad women fight for justice in an Indian village, The National, Online at: http:// www.thenational.ae/news/worldwide/south-asia/pink-clad-women-fight-for-justice-in-an-indian-village; Arindam Mukherjee (The National, 26 February 2011), Pink sari gang fights against India's oppressors. online at: http://www.thenational.ae/news/ worldwide/pink-sari-gang-fights-against-indias-oppressors.

Some reactions to colour come from learned associations. In Western countries, black is the colour of mourning, whereas in most Arab countries, white plays this role. In addition, while the colour black may be associated with power in western world (think of the New Zealand All Blacks rugby team), the same may not be the case in the Arab world in which the black colour is worn by women of decency in the traditional Abaya. Other reactions are a result of biological and cultural differences. Women are drawn toward brighter tones and they are more sensitive to subtle shades and patterns. Some scientists have argued that age influences our responsiveness to colour—as we get older, our eyes mature and our vision blurs. Consequently, colours tend to look duller to older people, so they prefer white and other bright tones. This helps to explain why mature consumers are much more likely to choose a white car—Lexus, which sells heavily in this market, makes 60% of its vehicles in white. Coincidentally, most consumers in the Arab world tend to opt for white cars as being very good heat conductors (arguably white cars tend to be cooler especially in the hot summer months). Meanwhile, there have been muted perceptions about white coloured cars having very marginal second-hand value in countries such as the UK.

PERCEPTUAL DISTORTION

People can form different perceptions of the same stimulus due to three perceptual processes—notably *selective attention*, *selective distortion*, and *selective retention*. The first of the three—*selective attention* is the tendency of people to screen out most of the information to which they are exposed. This means that marketers would need to strive or work hard in order to attract the attention of consumers. Selective or *perception distortion* simply means the lack of correspondence between the way a stimulus is commonly perceived and the way an individal perceives under the given conditions or circumstances. In other words, it describes the tendency of people to interpret information in a way that will support what they already believe. For example, if a consumer distrusts a particular bank, he might perceive the even honest offers of credit cards, savings rates or even insurance deals as questionable. What this, then, means for marketers is that they must try very hard to understand the mindsets of consumers and how these will affect their interpretations of any sales information or advertisements by the firm. However, as we discussed in Chapter 6, people are also bound to forget much of what they learn. Under such circumstances, consumers tend to retain information that supports their attitudes and beliefs (see Chapter 4). As a result of *selective retention*, therefore, consumers are likely to remember good points made about competing brands. Interestingly, although

most marketers worry about whether their products, services or ideas will be pereceived at all, some consumers worry that they will be affected by marketing messages without even realizing it—through *subliminal advertising* (yet another controversial topic).

Halo Effect

The Halo Effect was first identified in 1920 by American psychologist, Edward Thorndike. The concept describes how an overall impression shapes specific judgments. In business, a company's overall performance, which is usually defined by tangible financial results, shapes our evaluation of other less tangible things. As highlighted by Rosenweig³ the example of Cisco Systems, which was admired for its customer focus, efficient organization and charismatic CEO, but when performance slipped, it was criticized for the exact same thing. Indeed, it seems rather obvious that in the business world, companies that have been successful in terms of financial performance have tended to arouse our general positive perception towards every other aspect of the company such as innovation, social responsibility and product quality as was conferred upon the coffee giant—Starbucks (exaggerating our perception of the company as the most admired). Other examples have included Apple and Wal-Mart (see for example, *The Economist* (14th October 2009); Zweig, J. (*Wall Street Journal*, August 2011))

CONCEPTS UNDERLYING PERCEPTION

Sensory Thresholds

Sensory thresholds are the lowest intensity of a stimulus that can be registered on a sensory channel (whether sight or sound). There are two popular kinds—absolute and differential. On the one hand, absolute threshold refers to the minimum amount of stimulation that can be detected on a given sensory channel. Research has shown that the sound emitted by a dog whistle is too high to be detected by human ears, so this stimulus is beyond our auditory absolute threshold. The absolute threshold is an important consideration in designing marketing stimuli. Consider this—a highway billboard might have the most entertaining copy ever written, but this genius is wasted if the print is too small for passing motorists to see it. Differential threshold, on the other hand, refers to the ability of a sensory system to detect changes or differences between two stimuli. The minimum difference we can detect between two stimuli is the just noticeable difference or JND (see our discussion of Weber's Law). The issue of when and if consumers will notice a difference between two stimuli is relevant to many marketing situations. Sometimes, a marketer may want to ensure that consumers notice a change, as when a retailer offers merchandise at a discount. In other situations, the marketer may want to downplay the fact that it has made a change, such as when a store raises a price or a manufacturer reduces the size of a package. A consumer's ability to detect a difference between two stimuli is relative. A whispered conversation that might be unintelligible on a noisy street can suddenly become public and embarrassingly loud in a quiet library. It is the *relative difference* between the decibel level of the conversation and its surroundings, rather than the absolute loudness of the conversation itself, that determines whether the stimulus will register.

Weber's Law

Ernst Weber, a nineteenth century psychophysicist, found that the amount of change required for the perceiver to notice a change is systematically related to the intensity of the original stimulus. In other words, the stronger the initial stimulus, the greater a change must be, for us to notice it. For example, some retailers have been known to markdown prices in order to boost sales. But the argument is not whether you mark down but by how much. Research has shown that the markdown should be at least 20 percent for the reduction to make an impact on shoppers. If this is the case, a pack of washing up liquid that retails for ₹ 10 should be put on sale for ₹ 8 (an ₹ 2 discount) for shoppers to realize a difference. However, a pair of *Ray Ban* sunglasses selling for ₹ 1000 would not benefit from a "mere" ₹ 2 discount. A retailer would have to mark it down to ₹ 800 to achieve the same impact. Because the brain's capacity to process information is limited, consumers are very selective about what they pay attention to. The process of *perceptual selection* means that people attend to only a small portion of the stimuli to which they are exposed (see Exhibit 7.2 and think about what grabs your attention). Consumers practice a form of "psychic economy," picking and choosing among stimuli to avoid being overwhelmed. How do they choose? Both personal and stimulus factors should help to decide.

Exhibit 7.2

BOLLYWOOD DREAMS—YOUR WORST NIGHTMARE?

Bollywood, in the past, had been content with addressing its domestic and/or indigenous audience due to its size. However, marketers and producers soon realized the significance of the diaspora market, where ticket, video and DVD sales accounted for up to 40 percent of revenues. Indeed Bollywood had put in great promotional effort—via newspapers, TV and local radio – in order to appeal to the diasporic community (also regarded as the non-resident Indians or NRIs). There have been some suggestions that film producers have started developing movies that appeal to 'diaspora' tastes by including at least one foreign character. According to him, films are continually reflecting the confusion of a society in transition. The new aspirational model of NRIs, who have succeeded in terms of material wealth, but still want to hold onto their Indian values.

However, although Bollywood movies have incorporated more from MTV-style choreography, graphics and editing—product attributes, it remains entrenched with cultural values and absolutism. One school of thought argued that Bollywood films exuded their own narrative, which informs a range of products and practices and is in fact a 'culture industry.' Another school of thought sees the industry as a commoditized and globalized export which provides a 'feel good' version of 'Indian culture.' Indeed the increasing importance of the diaspora audience is evident through proliferation of film award ceremonies held in the UK and the US where titles such as *Veer-Zaara* won major awards based upon votes cast by diasporic audiences. Moreover, the Cannes Film Festival of 2005 witnessed the opening of the Indian Pavilion, funded through Government sources and thus providing a showcase opportunity for Indian movie producers. Cannes also recognized the important contributions made by the Indian film industry in general—especially 'Pather Panchali' opening the *Cannes Classics Series*.

Overall, while it is arguable that Bollywood exists and caters for a diasporic audience of Indians, this has been largely due to its heavy media influence and 'hype', and the fact that much of the Bollywood phenomenon has been enacted in London and other western locations rather than in India (i.e. changing photo shoot locations). Spencer (2002) cites the examples of Webber's Bollywood dreams; Selfridge's month long Bollywood extravaganza, the British Film Institute's Bollywood movies tour and Channel 4 (UK) Bollywood Women season.

Source: Adapted from Madichie, N. (2010), The Nigerian Movie Industry "Nollywood"-A Nearly Perfect Marketing Case Study. Marketing Intelligence & Planning, Vol. 28, No. 5, pp. 625-649.

Subliminal Perceptions

Subliminal perception refers to the ability to perceive a stimulus that is below the level of conscious awareness. The concept holds that a brief exposure of a message would cause people to experience a sudden mysterious desire to act. In other words, the theory holds that such messages would flash (appear and disappear in a matter of seconds) to the extent that they would slip through or bypass the normal perceptual safeguards and thereby register on the individual's consciousness unedited, e.g. flashing messages unto these claims were so powerful that subliminal advertising was banned in some countries and regulated in others. For more on this, see Aspan⁴ and Nelson⁵.

FACTORS INFLUENCING PERCEPTION

There are numerous factors influencing perception—both internal and external. From the internal perspective, we have a series of personal factors such as experience (which is the result of acquiring and processing stimulation over time) as one factor that determines how much exposure to a particular stimulus a person accepts. Three other factors are linked to our perceptual filters, perception vigilance and perceptual defense discussed below. Perceptual filters, based on our past experiences, influence whatever stimuli we decide to process. Perceptual vigilance relate to the chosen stimuli that make it through our perceptual filters. Consumers are more likely to be aware of stimuli that relate to their current needs—for example watching the ICC 2011 world cup might not be of interest to some fans until their country qualifies for the semi-finals. Perceptual vigilance is a form of *perceptual defense*. In other words, consumers see only what they want to see—and effectively blocking out what they do not want to see (this is discussed later). This is often the case when a stimulus seems to threaten us in some way, and we consequently either completely refuse to process it, or decide to 'distort' its meaning so that it becomes more acceptable to us. For example, a heavy smoker may block out images of cancer-scarred lungs because these images may be too dramatic to take in.

Adaptation

Adaptation simply refers to the degree to which consumers continue to notice a stimulus over time. The process of adaptation occurs when consumers no longer pay attention to a stimulus because it is so familiar. A consumer can "habituate" and require increasingly stronger "doses" of a stimulus in order to notice it. A commuter on his way to work might read a billboard message when it is first installed, but after a few days, it simply becomes part of everyday living. Several factors can lead to adaptation—you may refer to this as DRIED, a memory marker (i.e. for easier recall):

- ▲ **D***uration*—Stimuli that require relatively lengthy exposure in order to be processed habituate (i.e. decrease in response to a stimulus after repeated presentations) because they require a long attention span
- ▲ **R***elevance*—Stimuli that are irrelevant or unimportant tend to habituate because they fail to attract attention
- ▲ Intensity—Less-intense stimuli (e.g., soft sounds or dim colors) habituate because they have less sensory impact
- ▲ *Exposure*—Frequently encountered stimuli habituate as the rate of exposure increases
- ▲ Discrimination—Simple stimuli habituate because they do not require attention to detail.

In addition to the receiver's mindset, the characteristics of the stimulus itself play an important role in determining what gets noticed and what gets ignored. Marketers need to understand these factors so they can create messages and packages that will have a better chance of cutting through the clutter. A message can create *contrast* in several ways:

- ▲ *Novelty*—Stimuli that appear in unexpected ways or places tend to grab our attention. One solution is to put ads in unconventional places, where there will be less competition for attention, e.g. on tunnel walls, floors of sports stadiums, and even public toilets (Solomon⁶; McCarthy⁷).
- ▲ *Position*—We stand a better chance of noticing stimuli that are in places we are more likely to look (sounds like the opposite of novelty if you think about it properly). That is why the competition is so heated among suppliers to have their products displayed in stores at eye level.
- ▲ *Size*—The size of the stimulus itself in contrast to the competition helps to determine if it will command attention. Readership of a magazine ad increases in proportion to the size of the advertisement.
- ▲ *Colour*—It is a powerful way to draw attention to a product or to give it a distinct identity. For example, what do DHL, Kodak and McDonalds have in common? The answer is Red and Yellow—which are perceived with speedy service (in their respective sectors of logistics, photography and fast-food).

CONSUMER IMAGE AND MARKETING PERCEPTION

How can a sports celebrity such as the Indian Cricketer, Sachin Tendulkar, enhance the image of a fast-food restaurant? While you are still thinking, *semiotics* may just be the gateway to understanding the point here. Other key attributes may include *perceptual mapping* and *product positioning*, *perception of price and quality* and their relationship to *corporate* and *self-image*. We will now discuss these in turn.

Semiotics

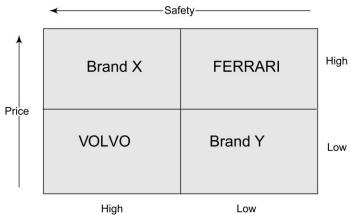
Many researchers have come to the conclusion that, on the surface, many marketing images have virtually no literal connection to actual products. Therefore, in their attempt to better understand how consumers interpret the meanings of symbols, some marketers have turned to a field of study called *semiotics*, which is the study of the correspondence between signs and symbols and their roles in how we assign meanings. Semiotics is important to the understanding of consumer behaviour because consumers use products to express their social identities. Products have learned

meanings, and we rely on marketers to help us figure out what those meanings are. From a semiotic perspective, every marketing message has three basic components: an *object*, a *sign* (or symbol), and an *interpretant*. The *object* is the product that is the focus of the message (e.g., Marlboro cigarettes). The *sign* is the sensory image that represents the intended meanings of the object (e.g., the Marlboro cowboy). The *interpretant* is the meaning derived (e.g., rugged, individualistic, American). Signs are related to objects in one of three ways—(i) they can resemble objects; (ii) be connected to them; or (iii) be conventionally tied to them.⁸ Consider the interactions between icons, index and symbols thus:

- ▲ *Icon*—A sign that resembles the product in some way (e.g., the Ford Mustang has a galloping horse on the hood).
- ▲ *Index*—A sign that is connected to a product because they share some property (e.g., the pine tree on some of Procter & Gamble's Spic and Span cleanser products conveys the shared property of fresh scent).
- ▲ *Symbol*—A sign that relates to a product by either conventional or agreed-on associations. The *Nissan Xterra* combines the word *terrain* with the letter *X*, which many young people associate with extreme sports, to give the brand name a cutting-edge, off-road feel.

Perceptual Mapping and Product Positioning

Our perception of a brand comprises both its functional attributes (e.g., its features, price, etc.) and its symbolic attributes (its image and what we think it says about us when we use it). Our evaluation of a product typically is the result of what it means rather than what it does. This meaning—as consumers perceive it—constitutes the product's market position, and it may have more to do with our expectations of product performance as communicated by its colour, packaging, or styling than with the product itself. How does a marketer determine where a product actually stands in the minds of consumers? One technique is to ask them what attributes are important to them and how they feel competitors rate on these attributes. We can use this information to construct a *perceptual map*, a vivid way to paint a picture of where products or brands are "located" in consumers' minds (see Figure 7.2 for an illustration).





A University Professor once created a perceptual map for Toyota models for his class of Middle Eastern pedigree. He wanted to find out how students in his marketing class perceived the different models they either already have or planned to buy. He asked students to plot perceptions of such attributes of competitors as rational versus emotional consumption, and prestige versus value brands. Based on this class exercise, Toyota's strengths could be identified in terms of having a range of products for every kind of consumer.

This map may also enable Toyota to bounce back from its recall crisis, if the experiment was thrown open to the wider Middle eastern population—enabling the struggling car giant to make informed strategic decisions as to what brands it cannot afford to discontinue especially in that region. This can also effectively become Toyota's *positioning strategy*, which is a fundamental component of a company's marketing efforts as it uses elements of the marketing mix (i.e., product design, price, distribution, and marketing communications) to influence the consumer's interpretation of its meaning in the marketplace relative to its competitors.

Brand Image

Why do burgers, French fries, chicken nuggets, and even milk and carrots all taste better to children if they think they came from McDonald's? In taste tests with 63 children aged between three and five years⁹, there was only a slight preference for the McDonald's-branded hamburger over one wrapped in plain paper, not enough to be statistically significant. But for all the other foods, the McDonald's brand made all the difference. Almost 77%, for example, thought that McDonald's French fries served in a McDonald's bag tasted better, compared with 13 percent who liked the fries in a plain white bag. Apparently, carrots, too, taste better if they are served on paper with the McDonald's name on it.

PERCEPTION OF RISK

Although many marketers view their products or services as bundles of attributes, consumers tend to think about them in terms of consequences (or risks), i.e. those outcomes that consumers experience when they consume products. Two broad types of consequences have been identified in the literature—functional and psychosocial.¹⁰ *Functional risks* are concrete outcomes of product/ service usage that are tangible and directly experienced by consumers, e.g. the acceleration or fuel consumption of a car. *Psychosocial risks*, on the other hand, are abstract outcomes that are of an intangible nature and therefore more subjective—e.g. what does it feel like to be a Jaguar (the car) owner. Indeed, evaluative criteria can be objective or subjective. In buying an automobile, consumers use objective attributes such as price, warranty and fuel economy as well as subjective factors such as image, styling and performance.¹¹ The five basic kinds of risk include both objective (e.g., physical danger) and subjective factors (e.g., social embarrassment). Consumers with greater 'risk capital' are less affected by perceived risks associated with purchases. The five basic kinds of risk include:

1. *Monetary or financial risk* – This is mostly related to money and property. Those with relatively little income and wealth are most vulnerable. Common for high-ticket items that require a substantial expenditure such as cars and houses.

- 2. *Functional risk* It relates to alternative means of performing the function or meeting the need. Practical consumers are the most sensitive. More applicable to purchases requiring the buyer's exclusive commitment.
- 3. *Social risk* It is closely linked to self-esteem and confidence. Those who are insecure and uncertain are most sensitive. Typical for socially visible or symbolic products such as clothes, jewellery, homes, or sports equipment.
- Psychological risk It is similar to social risk, but consists of affiliations and status. Those lacking respect or attractiveness to peers are most sensitive. Common with expensive personal luxuries that may engender guilt, durables, and services whose use demands self-discipline or sacrifice.
- Physical risk This is concerned with the aspect of physical vigour, health, and vitality. Those who are elderly, frail, or in ill health are most vulnerable. Applicable to mechanical or electrical goods (e.g. flammables), drugs and medical treatment, as well as food and beverages, e.g. wine.¹²

Risk Reduction Strategies Adopted by Consumers

Seeking information, continuing with the same brand, going by brand image, storing image, buying most expensive product, seeking reassurance. Labrecque et al.¹³ examined gender differences in consumption frequency alongside "*perception of health value and enjoyment associated with two categories of convenience foods*" among university students in Canada, the US and France. These authors concluded that "*perceived health value of ready meals and side dishes, while slightly negative, is less negative than for snacks, whereas greater enjoyment is attributed to snacks.*" Two examples are used here (i.e. wine purchase and online shopping) for illustrative purposes. In the case of wine consumption, the reduction in risk associated with the purchase will lead to the purchase of higher quality wine.¹⁴ The consumption of a higher quality wine will also increase the knowledge and experience of the consumer. According to Johnson and Bruwer¹⁴, this is likely to have two effects – (i) reinforce the consumption of the higher quality wine and further reduce risk; and (ii) determine the segment into which the consumer fits.

Risk may be perceived in any or all parts of the initial choice alternatives whether choice of product, brand, store or distribution channel (including conventional, bricks-and-mortar shopping, home or online shopping). The perceived risk level is a product of the degree of uncertainty and the extent of the consequences that would result from a 'wrong' decision. The situational variables have an influence on the level of the perceived risk—e.g. whether the choice is being made inside a crowded supermarket aisle, in a specialist store or online. As Trent pointed out, "the extent of the information initially available to the decision-maker impacts upon the level of risk perceived. Indeed the demographic, economic and psychographic features of the consumer influence both the perceptions of risk and the *risk reduction strategies* adopted accordingly.¹⁵

Risk reduction strategy in wine consumption (see Table 7.2) generally aims at reducing the level of uncertainty and the extent of the consequences that could potentially arise – e.g. financial (price of wine); physical (hangover); social (family and friends); psychological (personal gratification); functional/performance (taste) and/or time risks.¹⁶ In considering risk reduction, word-of-mouth (WOM) communication plays an important role in reducing consumer risk perceptions of product performance to a greater extent than any other information sources in

e-commerce.¹⁷ With respect to reducing consumer perceived risk and uncertainty, word-of-mouth is more relied on by consumers than any other information, because it is based on consumer experience and is especially vivid information, which tends to have a stronger influence on product judgment and risk reduction. For example, eBay's Cafe, a chat room, posts a daily mix of remarks, user tips, sociable banter or complaints, good experiences, and even advice for the lovelorn. Moreover, the site is most active when consumers purchase products while in a situation of high involvement. Consequently, marketers must participate actively in creating positive word-of-mouth, because dissatisfied customers will disseminate news of their bad experiences with the retailer. That is, dissatisfied customers participate in negative word-of-mouth communication, and this means that new and existing customers become aware of a perceived risk or uncertainty for future purchase opportunities. Thus, marketers must effectively maintain and develop their website communities, forums, and feedback sites in order to retain satisfied customers and reduce their perceived risk.¹⁸

Risk Reduction Strategy	Retailer variable	
Brand loyalty	Advertising and promotions	
	Assortment on offer	
	Point of sale promotions	
Information seeking (i.e. consumers seek more	Advertising and promotions	
information about the product—wine)	Customer and after-sales service	
	Sales personnel	
	Special events	
	Non-tutored tastings	
	Tutored tastings	
	Wine club membership	
Financial (Price)	Advertising and promotions	
	Price	
Reassurance	Customer and after-sales service	
	Non-tutored tastings	
	Tutored tastings	
	Special events	
	Wine club membership	
Store image	Complimentary goods and services	
	Customer and after-sales service	
	Special events	
	Store atmospherics (ambience and atmosphere)	
	Store layout	
	Wine club membership	
Well-known brands	Advertising and promotions	
	Assortment on offer	
	Point of sale (PoS) promotions	

TABLE 7.2 Risk Reduction strategies in wine marketing

Source: Adapted from Trent (2004).

Making Sense of Your Senses

The stimuli we perceive are often ambiguous—perhaps due to our intrepretational biases. It is up to us to determine the meaning based on our past experiences, expectations, and needs. A classic experiment demonstrated the process of "*seeing what you want to see*." For example, Algerian and Egyptian students separately viewed a clip of a particularly rough football game between these two rival Arabic-speaking North African sides in the run-up to the 2010 FIFA World Cup.¹⁹ Although everyone was exposed to the same stimulus, the degree to which students from these countries assigned blame for poor officiating, rough tackles, and red cards, was quite different depending on what nation's team they supportedAs this experiment demonstrates, consumers tend to project their own desires or assumptions onto products and advertisements. Think of the 30 March 2011 clash of the titans in Mohali between the Indian and Pakistani cricket teams. Did you watch the game? Did you hear a commentary of the game? Did India deserve to win? In attempting to answer any of these questions, we would need to draw upon our senses of sight (vision) and sound (hearing).

Cricket aside, some researchers have begun sharing their findings on the important role the *haptic* (touch) sense plays in consumer behaviour. Haptic senses appear to moderate the relationship between product experience and judgment confidence, confirming the commonsense notion that we are more sure about what we perceive when we can touch it (a major problem for online marketers). Talking about subliminal perception, some fragrance and cosmetics containers in particular tend to speak to consumers via their tactile appeal. Most modern perfume bottles still are made of glass because when women handle an elegantly sculpted glass container, they experience a sense of luxury that more modern materials cannot provide. For example, we can link the perceived richness or quality of the material in clothing, bedding, or upholstery to its "feel," whether rough or smooth, flexible or inflexible. We equate a smooth fabric, such as silk, with luxury, whereas we consider denim to be considered practical and durable. Fabrics composed of scarce materials or that require a high degree of processing to achieve their smoothness or fineness tend to be more expensive and thus we assume they are of a higher class. Similarly, we assume lighter, more delicate textures are feminine. Men often value a feeling of roughness, whereas women seek smoothness.

SUMMARY

- Perception is the process by which physical sensations, such as sights, sounds, and smells, are selected, organized, and interpreted. The eventual interpretation of a stimulus allows it to be assigned meaning.
- Many stimuli compete for our attention, and most are hard to notice, if ever. This is simply because people have different perceptual thresholds.
- A stimulus must be presented at a certain level of intensity before our sensory detectors actually pick them up. Furthermore, a consumer's ability to detect whether two stimuli are different (the differential threshold) is an important issue in many marketing contexts, such as package design, the size of a product, or its price.
- Some of the factors that determine which stimuli (above the threshold level) do get perceived include the amount of exposure to the stimulus, how much attention it generates, and how it is interpreted.
- Although evidence of the effectiveness of subliminal persuasion is virtually nonexistent, many consumers continue to believe that advertisers use this technique to lure them into making purchase decisions.

- A semiotic analysis involves the correspondence between stimuli and the meaning of signs. The intended meaning may be literal (e.g., an icon such as a sign to the ladies toilet).
- A perceptual map is a widely used marketing tool that evaluates the relative standing of competing brands along relevant dimensions.
- We rely on colours, odours, sounds, tastes, and even the "feel" of products whenever we make our purchase evaluations.
- The five basic kinds of risk include both objective (e.g., physical danger) and subjective factors (e.g., social embarrassment).
- There are numerous ways by which marketers can reduce the perceived risk of consumers and WOM is a very powerful risk reduction strategy.

OBJECTIVE TYPE OUESTIONS

- 1. When a stimulus comes within the range of someone's sensory receptors, occurs.
 - (a) Vibration
 - (b) Exposure
 - (c) Retention
 - (d) Subliminal suggestion
- 2. The

refers to the minimum amount of stimulation that can be detected on a sensory channel.

- (a) Absolute threshold
- (b) Differential threshold
- (c) Intensity threshold
- (d) Relative threshold
- 3. The minimum difference that can be detected between two stimuli is known as the
 - (a) 'Bare' minimum
 - (b) Gradual differentiation
 - (c) Graded difference
 - (d) JND (just noticeable difference)
- 4. A retailer decides to reduce the price of a sport coat that normally costs \$98. The reduction in price is \$3. The storeowner believes that the reduction will catch the eye of the value shopper. If the sport coat does not sell, the retailer might wish to consider which of the following before making another price change?
 - (a) Hermann's theorem
 - (b) Packard's law
 - (c) Sensory theory
 - (d) Weber's law
- 5. Because the brain's capacity to process information is limited, consumers are very selective about what they pay attention to and tend to select stimuli that relate to their current needs. This process is called
 - (a) Perceptual selection
 - (b) Perceptual defense
 - (c) Perceptual vigilance
 - (d) Adaptation

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- 6. Of the three stages in the perceptual process, which stage would an advertiser be targeting if bold primary colours were used in promotions and package design?
 - (a) Exposure
 - (b) Attention
 - (c) Interpretation
 - (d) Alternative selection
- 7. Jacinta believes she is a practical consumer. She is always on the lookout for better ways to order her life and make housework easier. New products that promise to help with these work tasks catch her eye. However, she sometimes makes mistakes by buying products that do not deliver on their promises to do the work required. Considering the above description, Jacinta could be prone to which of the following types of perceived risk?
 - (a) Monetary risk
 - (b) Social risk
 - (c) Functional risk
 - (d) Psychological risk
- 8. State whether the following statements are True or False
 - (i) Adaptation simply refers to the degree to which consumers continue to notice a stimulus over time.
 - (ii) *Subliminal perception* refers to the ability to perceive a stimulus that is below the level of conscious awareness.
 - (iii) Weber's law suggests that the amount of change required for the perceiver to notice a change is systematically related to the intensity of the original stimulus.

REVIEW QUESTIONS

- 1. How does the sense of touch influence consumers' reactions to products?
- 2. Identify and describe the three stages of perception.
- 3. Does the size of a package influence how much of the contents we eat? Provide an example.
- 4. Explain the implications of the absolute threshold for marketers attempting to appeal to the elderly.
- 5. Define a "schema" and provide an example of how this concept is relevant to marketing.
- 6. List the three semiotic components of a marketing message, giving an example of each.
- 7. Using examples, compare and contrast the concepts of absolute and differential thresholds.
- 8. Discuss the advantages and challenges of the halo effect in consumer behaviour.

ACTIVITIES

1. Purchase decisions that involve extensive search also entail some kind of *perceived risk* (a belief that the purchase potentially could have negative consequences). Name five perceived risks, indicate the kinds of consumers most vulnerable to each risk, and indicate the types of purchases most sensitive to each. *Answer:*

The five basic kinds of risk include both objective (e.g., physical danger) and subjective factors (e.g., social embarrassment). Consumers with greater 'risk capital' are less affected by perceived risks associated with purchases. The five basic kinds of risk include:

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- *Monetary risk*—e.g. for high-ticket items that require a substantial expenditure such as cars and houses.
- *Functional risk*—mostly for products or services whose purchase and use requires the buyer's exclusive commitment and precludes redundancy.
- *Physical risk*—linked to mechanical or electrical goods (such as vehicles, flammables), drugs and medical treatment, food and beverages.
- *Social risk*—based on socially visible or symbolic goods such as clothes, jewellery, cars, homes, or sports equipment.
- *Psychological risk*—concerned with expensive personal luxuries that may engender guilt, durables, and services whose use demands self-discipline or sacrifice.
- 2. In groups of three or four, discuss the differences between *sensation* and *perception*.

Answer:

- *Sensation*—the immediate response of sensory receptors (such as the eyes, ears, nose, mouth, and fingers) to such basic stimuli as light, colour, odour, texture, and sound. Anything that activates a receptor is called a stimulus.
- *Perceptions*—the process by which people select, organize, and interpret these sensations. The eventual interpretation of stimulus allows it to be assigned meaning. It is of critical importance to marketers.

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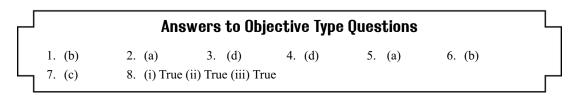
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Slumdog Millionaire

Slumdog Millionaire broke into the UK market on *a wave of Oscar hype* and critical praise and our movie critic (our original blogger for this article anonymised now as Rakesh) was looking forward to seeing it even though the reasons 'why' it was good seemed a bit vague to him. On the one hand, it seemed set in the *gritty poverty* of India, with descriptions of some very unpleasant scenes. On the other hand, it was described as being uplifting and the feel-good movie of the year. Rakesh was curious how this conflicting information resolves itself within one film without offbalancing it. As he perceived it, the overall sweep of the film is very much a rag-to-riches story with love being the real heart of the film even if 'money' was also central. In this regard, it is an excellent film because you are engaged throughout, are totally on the side of the main characters and ultimately the viewer would give anything if they could only end the film happily. In this way, it is uplifting—and a really cheering film that is worth seeing with an audience because it is one of those things that unite an audience with a common feeling of cheer and goodwill.

Rakesh really enjoyed the fragmented time structure that uses the re-watching of the Millionaire questions in the police station as a trigger for flashbacks. This means we are gripped by several threads rather than it being a straight flow. It is not an amazingly unique device but the manner of it being put together prevents it ever being clumsy or obvious by how it transitions from one time to the other. Speaking of delivery and style, the film is understandably an Oscar contender due to its *upbeat* nature, but the areas where it stands a great chance are those of cinematography, editing and direction.

Visually the film is a treat—it captures the *colour* of India with great camera work that puts us right in the scene. An example is the early chase through the slum, with a frantic camera, plenty of colours (in terms of palate, places and people) and a great visual style with the sun hitting the camera from above as it moves. With this much movement in the camera throughout the film, editing is the key in making these scenes work and it is excellent throughout – even putting the subtitles in a stylish and arresting fashion which helped sell the use of Hindi but does also match the style of the film more than standard text could have. As director Boyle delivers on all this and his use of music is great as well. It does feel like we have the grit and style of *City of God*, but yet also the warm uplifting story of the very best the 'underdog' genre can provide. That it achieves this is a testament to how well the film is delivered because it does have to overcome the fact that the majority of the film presents us with a terrible world of poverty and suffering and then gradually pulls the main characters out of it. This is a problem that the delivery covers but ultimately the viewer is left with some fairly harrowing realities that have not gone away by the end of the film.

Rakesh totally understands those who love the film unquestioningly, but he agrees with those that take pause on this issue and note that it is an aspect of the film that really does not stand up in the cold light of day. Although not based on a true story, this is a reality in our world and to see so

much of it in a film that ultimately leaves you feeling good about life and happy that everything worked out alright is not a mix that sat particularly well with Rakesh. It is not helped by the dance number over the end credits, which involved lots of people and pushed the "*isn't everything great*" idea more than the proper conclusion of the story did.

The cast mostly play to the 'fairytale' side of the film more than the grit, although the young children are very impressive in the first sections of the story. *Patel* took a minute to grow on Rakesh but, although not the most charismatic of performers, he is really steady as the underdog who is driven. *Kapoor* is a great villain, driven by a hate that says a lot about the class system in place. *Pinto* is stunning and has a much stronger presence than Patel. Khan works the investigation scenes well, which was important as these are where the story is told from. The film is not as perfect as you will hear, but it is still very good at what it does—wonderfully stylish and slick romantic fairytale that is cheering and uplifting but also features horribly real images of cruelty and poverty. It does not manage to reconcile this, but it is strong enough to make you ignore this for the vast majority of the time, leaving you tense, hopeful and weepy.

Source: Adapted from the online review by *Bob the moo* from Birmingham, UK (1 January 2009). *The Virtual Linguist.* Online at:http://virtuallinguist.typepad.com/the_virtual_linguist/2009/07/nostalgie-de-la-boue.html, accessed on March 2, 2011

DISCUSSION QUESTIONS

- 1. *The author claims that the cast mostly play to the 'fairytale' side of the film more than the grit.* To what extent would you agree or disagree with this claim?
- 2. *Slumdog Millionaire* has been described as "*stylish, slick and uplifting film that features horribly real images of cruelty and poverty*" in India. What sensory stimuli can you use to analyse this statement?
- 3. Visually the film is a treat—it captures the *colour* of India with great camera work that puts us right in the scene. What other senses is the film capable of appealing to? Justify your answer with clear illustrations.



LEARNING OBJECTIVES

After reading this chapter, the reader should be able to understand

- Concept of social classes
- Process of social stratification and factors that bring about social stratification
- Deterministic features of social classes
- Social influence and its impact on consumer behaviour
- Definition and meaning of culture
- Concept of cross-cultural marketing and challenges to cross-cultural marketing
- Concept of subculture and its impact on consumer behaviour

The concept of social classes has been with mankind ever since the days when some of the societies would take to agriculture, some to the trading, and many of these would be traced to the warrior kind of vocations. The earliest reference to social classes in Hindu mythology can be found in the *Manusmriti*, where reference has been made to four kinds of segregation and segmentation of the people of the society of those times based on the kind of work each performed for the society they lived in. But modern social classes are segregated and stratified on the basis of commercial, political and geographical bases. Such commercial, political, geographical, and economic classification of the members of the society has been broadly segmented into the hierarchy of distinctive status classes. The stratification of the society in modern times can be seen in the areas of economic power, political authority, amount of wealth accumulated, place of residence, education and academics,

income level, lifestyle, future aspirations, power distances, etc. Such divisions can be seen in any society, be it western or eastern, rural or urban. The stratification of the society into different classes is of greater importance for marketers, market researchers, business psychologists and behaviour scientists who are involved in studying and researching the behaviour of consumers, advertisers, marketers and companies. In this chapter, we make an attempt to understand how a consumer can be seen as a member of influencing society and how the society is able to mould decision-making of its members by separately identifying and segregating them into different social classes.

CONCEPT OF SOCIAL CLASSES

Social class, in a broader sense, means the kind of status group and social group an individual belongs to and the status he himself enjoys in the society. In each society, members of the social groups deal with each other from the point of view of classifying and assessing their means of livelihood, income levels they earn, education levels attained by them, and the levels of development of other means of expressing themselves as being enlightened or being backward. For example, people who have learnt reading and writing are referred to as literate and those who have not learnt to read and write can be put into the class of illiterates. The society categorizes its people on the basis of different economic, social and political factors, their wealth and possessions, and other achievements they have been able to make in their lives. These factors can vary from the social status, income level, education level, to purchasing power exhibited by the members of the groups. The social class, on account of the status achieved by the individual members, may change from time to time and never remain the same due to change in income, literacy or acquisition of wealth, etc. The social class may also get altered and the members can move from the existing to the next level of social class. The marketer will have to keep pace with the changes in social status and class of his consumers in order to ensure his services and products meet the demands of the times and do not go out of the demand and fashion. In a way, the marketers keep themselves indemnified against the fear of getting obsolete to the consumer class and segment they want to make foray into.

The study of consumer as a part of social system (Exhibit 8.1) displays how the consumer researchers help the marketers understand the demographic and socio-psychological characteristics of the markets and impact on the decision-making of both the consumer and the marketing firm.

Exhibit 8.1

CONSUMER AS A PART OF SOCIAL SYSTEM

Tapan Roy has been taking an inventory of stocks in the readymade garments showroom managed by his son. He had been coming to the showroom every weekend, to give a hand to the staff in taking care of the rush of consumers. Otherwise, he had almost retired and handed over the control of the business to his younger son. He noticed that the thoughtless ordering of the material by the purchase staff without taking into account the kind of consumers who visited the store, their culture, their social background and their buying habits, etc., has resulted into many items being in excess of the actual average sales, whereas some of the products which could have been sold by the store appeared to be perpetually in short supplies. A further

in-depth probe revealed that the store had actually lost touch with the actual demand pattern of the consumers visiting the store. The supply orders once placed with the suppliers were not being reviewed periodically with the change in customers' fashion, likings and dislikes. This was happening because the store had become dependent on the marketing research stories told by the supplier company's researchers. The store seems to have lost touch with the individuality of the consumers patronizing the store. He felt that as a marketer he could understand his consumers well as he was involved with them in the daily activity of selling to them. He felt that as and when the firms and markets grow bigger in business size, many decision-makers in marketing lose their direct contact with their customers.

We notice that with the globalization of economies and expansion of the markets into global markets, most marketers today have to take recourse to consumer research to understand their consumers. But the behaviour of the consumer cannot be studied in separation from his surroundings. The consumers have always been a part of the social systems and subsystems in which they live. The marketing researchers will have to study every consumer in relation to and as a part of the social system that prevails around their consumers. The product manufacturers, sellers and advertisers will need to understand what influences the decisions of their consumers and how consumers respond to different product features, prices, and advertising appeals.

SOCIAL STRATIFICATION AND SOCIAL CLASS

Social stratification of the humans has been defined as "the division of the members of 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 same status".¹ These social classes can be witnessed in all cultures, societies and in all ages. The stratification, as it is applicable in India, has been explained by various surveys conducted by Market Research Survey of Indian markets (Exhibits 8.2 and 8.3). These social classes hugely influence the consumption patterns of the members, as each group member tends to align his behaviour and living patterns as displayed by other members of the group. Marketers have made use of the social groups as variable for segmenting and dividing their markets, products and consumers to establish the relationships between the needs of individuals and their expressions of satisfaction with the products offered.

CONCEPT OF SOCIO-ECONOMIC CLASS

We have seen in Exhibits 8.2 and 8.3 how society has been divided on the basis of the possessing of the materialistic symbols, e.g., automobiles, white goods, residence, education, and income. Though there can be many categories worked out, for the sake of convenience and identifiable segmentization, people belonging to different income classes can be grouped into three main categories, i.e. upper class, middle class and lower class.

1. Upper class: This class is said to be in possession of abundant wealth and resources. Marketers have always set this class as the benchmark for shaping up their marketing communication and advertising strategies. Their marketing practices too are largely geared up towards this class. The marketers target this group with distinctive media and products in order to lure and

Exhibit 8.2

SOCIO-ECONOMIC STRUCTURES AS UNDERTAKEN BY MARKET RESEARCH SURVEY OF INDIA

- ▲ Socio-Economic Structure:
- ▲ Income Level
- ▲ Occupation: Doctors, Advocates, Chartered Accountants, Factory Workers, Government Employees, etc.
- ▲ Education: Illiterates, Literates, Graduates, Undergraduates, Postgraduates, Professionally Graduates
- Marital Status: Bachelor, Married, Spinster, Widow, Separated, etc.
- ▲ Ownership
- ▲ Mindset: Liberated, Conservative

- ▲ Income:
- ▲ Low income
- ▲ Low middle income
- ▲ Middle income
- ▲ Upper middle income
- ▲ Higher income

- Professional
- ▲ White Collar Graduates
- ▲ Graduates
- ▲ Occupation
- ▲ Clerks/Shopkeepers
- ▲ Skilled Workers /Other Workers
- ▲ Education Level S.S.C Workers
- Unskilled Workers

*Socio-economic structure as per MRSI

Exhibit 8.3

STRATIFICATION OF INDIAN CONSUMER ON THE BASIS OF INCOME/OTHER POSSESSIONS

Income levels: Income is another source of information that helps marketing manager estimate and assume the behaviour of his customers and decide his advertising, pricing and product positioning policy. In marketing parlance, the basis of consumer classification can be subdivided into the following categories (based on 1994–95 prices):

- ▲ The affluent and the very rich
- ▲ The well off
- ▲ The climbers
- ▲ The aspirants
- ▲ The destitute

The marketing man can find out the behaviour pattern of the category and the value systems prevailing in each society.

The basis of classification:

The affluent/very rich: owning personal car, other white goods

The well off (consuming class): household's air conditioners, scooters, motorcycle, washing machine and other white goods but no cars

The climbers: owning white goods but no vehicles

The aspirants: owning bicycle and lower category of white goods

The destitutes: owning none of the above

(Source: NCAER; India's Market Demographics)

attract consumers from other aspiring classes. They ensure that products and messages built around this class are distinctive and customized. This class has a tendency towards exclusivity and exhibitionism. The members moving up into this class from the lower segment have a strong desire to be prominently visible in their change of social status.

- 2. Middle class: This class majorly consists of the salaried and working class of people. The middle class is the emerging class in countries like Brazil, Russia, India and China (BRIC nations). It is represented by its values, status, education, habits of sharing, spirit of competition, will to excel and sacrosanct of the social institutions like marriage. Culture and family play an important role in shaping up this class. The members of this class have a strong desire to move to the upper social class. The symbols of status, sense of social respectability, and the feeling of having arrived at always attract this class. Brand advertising, marketing strategies, communication directed towards this class show conservativeness, practicality and, sometimes, emotional values.
- 3. Lower class: This class is also known as the bottom of the pyramid. It represents the largest segment of the population of the world. This class is usually associated with scarcity of resources, lack of liquid cash, low academic and educational achievements, but high practical trade skills and technical education. The low income level means that the people in this category work on day-to-day basis to eke out their living. Their daily wages are largely spent on food items, shelter and other basic necessities of life. Marketers make use of the mass marketing strategy and the mass communication to target this class through the popular mass media.

PROCESS OF SOCIAL STRATIFICATION

The social fabric that stratifies classes and groups includes religion, family, institutes of education, social organizations, thinking of philosophers, the ruling elite and the ruled multitudes. The social fabric of a culture speaks of interpersonal and intrapersonal relationships the members of the society maintain with each other. It includes, at the more orthodox level, casteism, love of family, love of neighbourhood, tolerance for strangers, accommodation of others by selfless behaviour, love for one's own religion, and respect of other faiths and beliefs which constitutes a society's behaviour. These behaviour patterns run from generation to generation. In societies where close-knit social institutes like family, clan, and tribe still exist, it becomes easy for the marketer to plan and direct his advertising efforts and promotions. In the eastern cultures, family values are derived from small group norms, which are extended to the enlarged family of the locality or immediate neighbourhood,

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to the entire village. The family in the Western world would mean the immediate family only. It does not extend beyond relationship through blood.

SOCIAL STRATIFICATION SYSTEMS

Every culture values some people more than others. Such distinctions dictate a person's class or status within that culture. Social stratification varies from country to country and from society to society. A person's ranking in the social stratification system is partly determined by the individual factors and partly by the affiliation to the given groups. These affiliations could be attributed to group memberships, i.e. determined by birth, which are bestowed upon the individual by virtue of his being born in a particular class of society (examples—those based on gender, family, age, caste and ethnic, racial or national origin) or the acquired group memberships which are the affiliations not determined by birth but taken on by the individual as a deliberate choice (those based on chosen religion, sworn political affiliation and earned professional associations). In eastern countries, a marketer may find that such stratification is quite predominantly demonstrated in almost all segments. The caste, the gender, the political affiliations or even the religious beliefs and faiths play a larger role in the determination of the individual's mind set and personality. These stratifications affect the buying and living habits of people. These social stratifications influence a person's ranking within the group of his origin and outside and may affect the decision-making factors.

FACTORS RESPONSIBLE FOR SOCIAL STRATIFICATION

Some of the characteristics and group memberships that are used by the society to socially identify different groups, which are used by marketers for social stratification, are listed below:

Performance Orientation

Though performance orientation is not used in all societies as a social stratification system, it is a very important system of social stratification. People in US value performance so highly that the legislative and judicial actions aim to prevent discrimination on the basis of sex, age, religion, even though such legislation is not fully effective. Whichever factor has primary importance, e.g., seniority, humaneness, etc. will influence a person's eligibility for certain positions and compensation. That may not be true for all nations. In many countries, and ethnic groups, religious preferences exist – in India it is the caste factor that can affect the determination of employment or even education opportunities for different caste groups within the same culture groups.

Gender Orientation

Gender orientation means preferring difference in attitude towards male and female members of the society. In China and in India, there is a strong preference for male members of the families due to two factors – government and economic restrictions on family size and the desire of the family to have a son who can perpetuate the family name. The result is evil practices of aborting female fetus and indiscriminate killing of female babies. Even in countries in which women constitute a large

proportion of the working population, differentiation between female members and male members still exists in the type of jobs that are regarded as "male" and the ones that are regarded as jobs meant for "female" members. For example, in US, women fill a higher percentage of administrative and managerial positions than they do in Japan.

Age⁻based Groups

Many cultures assume that age and wisdom are correlated. However, in the US market, after the 1980s, the belief has been that the youth have a professional advantage and this has resulted into poor employment rates for people beyond certain age limits. Even in India, certain occupations prefer younger age groups for employment. The age divides people into many categories.

Occupation

The perception of what jobs are the "best" varies somewhat among the societies. This perception usually determines the number and qualification of people who will seek employment in a given occupation. For example, university professors are more influential as opinion leaders in Korea and Japan than in US and UK. Another important difference is that citizens in some countries desire to work as entrepreneurs rather than for an organization. For example, Belgians and French prefer to go into business themselves. In US, transient occupations such as baby sitting, delivering newspapers and delivering groceries are jobs that go to teenagers whereas in poor countries, the same are filled by adults.

Expectation of Success and Reward

Another factor that differentiates a person's behaviour is the perceived likelihood of success and the expectation of the reward. People usually work harder at any task when the reward for success is higher compared with the penalties of failure. In Western culture, the emphasis is on immediate rewards and commercialization of every activity is too rampant whereas in Eastern societies, the work is, many times, undertaken not necessarily taking into account the commercial expectations with instant results.

Assertiveness

The average interest in success and achievement varies substantially among different countries. As per the study which compared the attitudes of employees from 50 countries, people with high masculinity score were those who admired the successful achiever. Such class of societies has little sympathy for the unfortunate and prefers to be the best rather than at par with others. Such classes of people have a money-and-possession orientation rather than a people orientation. Such social classes have the belief that it is better "to live to work" than "to work to live". They have a preference for performance and growth over quality of life and environment. Such classes of society differ in the degree that the individuals are assertive, confrontational, and aggressive in their relationship with others.

Need Hierarchy

This is basically a well-known motivation theory (propounded by the late A.H. Maslow) of human motivations that explores universal cultural motivators of human behaviour.² Based on this theory and its principles, the marketer can actually work out the kind of response his products, brands and advertising campaigns will receive from the average consumer. According to this, people will try to fulfil the lower-order needs sufficiently before moving on to higher order. The order of needs from lower to higher is physiological (food, water, shelter, etc.), security, affiliation, esteem and, finally, self-actualization. The hierarchy of need theory is helpful in differentiating reward preferences and spending patterns of people in different societies. In a poor society, where scarcity of cash resources exists, people spend a large part of their earnings for food and shelter. In upper classes, other needs, such as status symbol purchases, luxuries and much leisure activities get priority in the spending list since food and shelter have already been taken care of. Such analysis helps the marketer identify which motivation factors should be addressed in his campaigns.

CULTURE VARIANCE

Culture variance refers to the dimensions based on which Hofstede had identified differences among cultures. Culture variance refers to the fact that no two cultures can be alike and that each culture evolves over time, changing its basic outlook either through its reaction to socio-economic changes that may have presented a new alternative for cultural growth or the change can also come as a result of imperialistic tendencies of governments who impose legal sanctions against the established practices. All cultures can be classified based on a number of differences and dimensions. Each dimension distinctly separates the nation's cultural character as given out by Hofstede in his four-point differentials theory.

Power Distance

Power distance refers to the interpersonal relations and intrapersonal relationship based on the power equation formations in the society and in workplace hierarchical set up. In each society, the distance between the socially powerful and those not so powerful due to either job status, social status, wealth status or religious status vary. In America, for example, people address each other by their first names and the vertical distance between the superior and the junior is covered by the seniors by exhibiting solidarity with the juniors by way of friendly and approachable behaviour, by joining the ranks for game, eating food together, and removing work related distance by occasionally engaging into activities meant for the junior positions. In other cultures, however, the distance between the superior and the subordinate is deliberately marked, as in India any senior will like that he is addressed by the formal epithet attached to the senior position. It is, many times, considered against the discipline if a senior person tries to bridge the gap between the two positions or a junior overshoots his position and gets too friendly with the senior. In fact, juniors are neither involved in decision-making nor are they made privy to important discussions. In many conservative societies in India, a similar situation prevails where the high castes will not like to mix up with the members of low castes and do not encourage much social interaction between two classes. Hence, it is important for a marketer to understand this kind of power equation, to follow the correct hierarchical pattern prevalent in different classes of society.





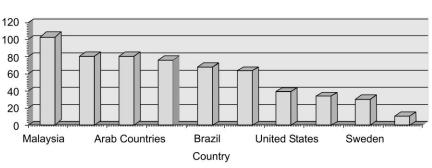


FIGURE 8.1 Hofstede's Value Survey Model: Power Distance
Source: Adapted from Geert Hofstede, Culture's Consequences: International Differences in Work Related Values, Sage Publications, Beverly Hills
CA, 1980.

Individualism versus Collectivism

Individualism refers to the humans' preference to fulfil their self-interest and desire first and foremost before they think of a large social group or society at large or of the national interests. These attributes of individualism spell out as low dependence on organizations and a desire for personal time, freedom and challenge. On the other hand, the features of collectivism are loyalty and may call for dependence on the organizational support and vice versa. In societies where high individualism prevails, self-actualization will be a prime motivator and in societies with high collectivism, the provision of safe environment (security need) will be a prime motivator. The degree of individualism and collectivism also influences how the members of a class interact with each other. For example, the concept of family in China and Mexico includes not only the nuclear family (a husband, a wife and minor children) but also vertically integrated families (several generations) and perhaps horizontally extended ones (aunts, uncles and cousins). Where collectivism is high, companies find their best marketing successes when emphasizing advertising themes that express group (rather than individual) values.

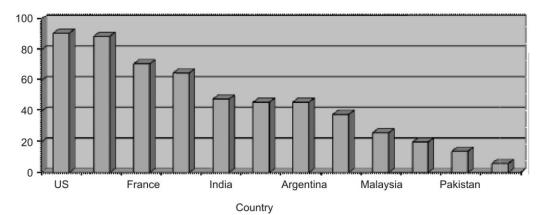


FIGURE 8.2 Hofstede's Value Survey Model: Individualism

Source: Adapted from Geert Hofstede, Culture's Consequences: International Differences in Work Related Values, Sage Publications, Beverly Hills CA, 1980.

Uncertainty Avoidance

Each society has its own system of facing the everyday life in the world. In some of the societies, people feel ensconced and comfortable within the zone of the familiar and the tried and trusted. For them, the unknown, the unfamiliar, the untried and the uncertain means raising the discomfort level, and hence they will not like to try the new and the innovative. However, in societies where uncertainty avoidance is low, people will like to go for the new and different as it holds the charm of the hidden for them which they will like to explore. Such characteristics of the consumers can help the marketer to design his products and features keeping in view the risk avoidance or the daring to try the new and untried. In a class of society characterized by high uncertainty avoidance, few consumers are willing to take the risk of trying a new product first. This is a very important consideration for companies to choose where to launch their new products. In fact, in the western countries, people will generally have a low uncertainty avoidance, hence the saving patterns are also low and the spending pattern, accordingly, are very high as people would like to live for today. In the countries which have been under the communist regime for a long time, uncertainty avoidance will be very high as the basic necessities were assured by the communist policy of the erstwhile governments, although their exposure to the new world outside the closed regime is gradually changing the cultural traits and they are opening up to the new food and clothing fads and fashions, etc.

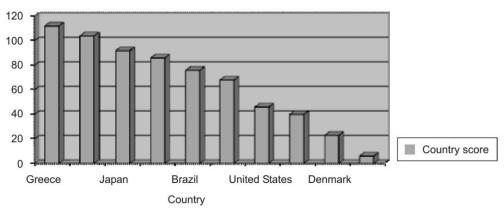


FIGURE 8.3 Hofstede's Value Survey Model: Uncertainty Avoidance

Source: Adapted from Geert Hofstede, Culture's Consequences: International Differences in Work Related Values, Sage Publications, Beverly Hills CA, 1980.

Masculinity vs Femininity

A culture that has strong paternalistic affiliations and is masculine in nature will have assertiveness at the base of all dealings and living styles. Such cultures will emphasize the symbols related to the material gains of life such as wealth, material success, and achievement of ambitions, competitiveness, and cut-throat rivalry in professional relationships. Such cultures can be traced in Australia, America, Canada, Great Britain and parts of India like Rajasthan, Punjab, Haryana and other states of north India, where boldness in every aspect of life is clearly visible. On the other hand, eastern countries like India, China and many other Asian countries where maternal instincts of the culture are more apparent, a gentle nurturing of the relationships, dealings and living styles

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are the hallmarks. The marketer will accordingly devise his marketing communication strategy keeping in view the masculine or feminine characteristics of the societies. The brand and the corporate image will have to be steered towards the caring and mothering kind of feelings wherein the customer may align with the corporate life long in the case of countries and markets falling under the femininity zone. On the other hand, in the western culture, masculine dominant markets, customers and clients may be motivated by bold appeals such as achievements, competitive edge and the feeling of having arrived in their respective societies.

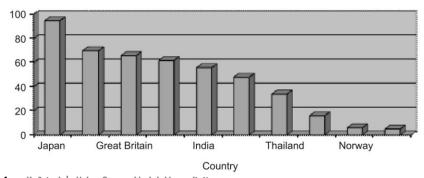


FIGURE 8.4 Hofstede's Value Survey Model: Masculinity
Source: Adapted from Geert Hofstede, Culture's Consequences: International Differences in Work Related Values, Sage Publications, Beverly Hills
CA. 1980.

Fatalism

In addition there is fatalism. Fatalism prevails in societies where people believe in fate. They believe that every event is inevitable. They fail to accept the basic cause-and-effect relationship between hard work and achievement of goals. They fail to understand that they have to work hard to achieve goals and take complete responsibility for performance. For example, they may be reluctant to buy insurance. Conservative and fundamentalist societies tend to view occurrences as "the will of God". It will be very difficult to convince such people to invest in future and to motivate them to save for future fatalities.

SOCIAL CLASS CHARACTERISTICS

Social class characteristics are also called the deterministic features of the social class. Marketing experts do not have to understand and undertake study of the individual consumer in each society if they know that each class will have its own system of operating and the individual will also be more or less behaving in line with such behavioural deterministic features of the society. We discuss below some of the deterministic features of the social classes that can help the researchers and marketers in their understanding of the consumer behaviour.

Internal Homogeneity

Members of a social class tend to behave in a similar fashion. We have seen earlier how society is stratified into more or less homogenous units. The members belonging to a particular class tend

to behave, think and act in a similar manner. For example, it was observed that the introduction of Maruti 800 car in the Indian market had revolutionized the middle class idea of a personal car. The small car had been accepted by the middle class households as part of their personal transport mode in major cities. The class membership would mean the members have similar life styles, attitudes, aspirations, dreams and even behaviour patterns. The marketers can use this homogeneity of the class members in determining marketing and sales strategies, advertising and consumer communication strategies, which can be addressed to larger segments of a given class.

Hierarchical in Nature

The hierarchy of the social class is determined on the basis of materialistic possessions, amount of income, occupation, area of residence, attitude of the people towards caste, allegiance to religion and God, competitive nature, attitude towards power distance, etc. The class system operates on the assumption that the behaviour of the members will be similar to the behaviour of the social class as a whole to which they belong. Based on this premise of do as the Romans do, we often see that people choose their status and station in life. Towns are divided into different class of localities by the planners in advance. For example, while planning a city, urban development authorities segmentize housing colonies into upper class, middle class, and lower class localities by taking into account the income earned by the households. The car manufacturers like Hyundai and Maruti have products which are positioned for different segments of society, i.e., the small segment, the mid-size segment and the luxury segments.

Social Classes are a Composite of Many Factors

Money, wealth and materialistic possessions owned by the members of classes are just the simple and easy way of identifying the social class. But the quantification of the money earned, wealth and materialistic possessions can be high or low in all classes of society. There are many other symbols that can and are used for determining the social class of the people. We have seen above that many other factors of social stratification such as gender orientation, education, power distance, etc. are equally important factors for determining a social class and many marketers make use of these factors in addition to the factors that are linked with the monetary values for segmenting the social classes.

Social Classes are Dynamic in Nature and Not Static

Social classes operate on two levels. In a closed type of social system, the members cannot leave their social class and the system as they have come into the class system on account of their having been born into it. For example, in Indian society, the caste system is a mentally blocked kind of social stratification. The person lives and dies with such a caste system. In the open system based on performance orientation, the members of a lower class can move and upgrade into the higher systems of society, depending on their achievements and performances in life.

SOCIAL INFLUENCE ON CONSUMER BEHAVIOUR

Consumers live in and are part of the social systems. Therefore, it is but natural that they are strongly influenced by political, cultural, social, personal, and psychological characteristics of the society

that they are part of. This influence of the society can be seen in their usual purchase decisions, choice making, usage patterns and other purchase criterion that the marketer considers essential and important in formulating his marketing and advertising communication strategies.

Social Class

We have seen in the section on the concept of social classes that there exists in every society some form of social class structure based on the economic and other factors. The division of the society into different social classes is permanent in nature for all generations. The members of a class are homogeneous and have same standards of living. They share similar values towards life. They share common interests. They exhibit similar attitudes. They end up having predetermined standardized buying behaviours. Social class is determined by a number of factors consisting of income, occupation, education, wealth, and many other variables. Marketers consider social class important because people belonging to a given social class exhibit similar likes and dislikes, preferences and prejudices and, most of the times, they exhibit similar buying behaviour. Social classes exercise influence in areas such as selection of the area of living, housing, choice of profession, selection of education streams and institutes, careers, and even marriage. The other important areas of social class influence are product and brand preferences in choice of media, newspapers, and television channels, choice of television programmes, entertainment, fashion, personal clothing, home furnishings, leisure activities, personal transportation systems and automobiles.

Social Factors

Social factors such as immediate family, extended family, social groups, social associations, social roles and social status influence the behaviour of the members of a class in all their life's consuming and non-consuming aspects. The consumer responses to life's ethics, morality, and attitude towards social rules and disciplines, spirit of competition and spirit of cooperation, attitude towards competitive spirit, the feeling of sharing of common causes etc., is formed by the influence of such social factors that we have mentioned above. Marketing companies look for and take into account the influence of all these factors when they design their marketing and sales, advertising and communication strategies directed at consumers.

GROUP INFLUENCE AND CONSUMER BEHAVIOUR

Groups hugely influence consumers' behaviour. A person in his life time becomes member of many small groups, qualifying by virtue of his being born into the group or by acquiring membership of the group by learning, and acquisition of professional academic and non academic credentials. Many such small groups influence the behaviour of the individual in his day-to-day life. These groups may vary from being the membership groups to reference groups.

1. Membership Groups

These are the groups whose membership is acquired by the consumers by virtue of the being born into them. These groups exercise a direct influence on their members' behaviour.

2. Family

Family is a group to which the member belongs by virtue of his having been born into it. It strongly influences the buyer's behaviour of all its members. The immediate family is the one that consists of the buyer's parents, siblings, spouse and other blood relations. Such close membership makes up the family orientation and the person's immediate behaviour is always at the primary level under the influence of these family orientations. For example, from the immediate family, a person can inherit his orientation towards morality, his values for the relationships, his concept of humanity, allegiance to and professing of his religion, his love for other family members, his love for flora and fauna and other animals of the planet earth. He develops his likes and/or dislikes for politics. He forms his attitude towards economics. He develops his sense of personal attainments, ambition, dreams, self-worth, and the value of love for all things that are associated with the family.

3. References Groups

These are the groups that serve as direct or indirect points of reference in forming and developing a person's attitudes or behaviour. For example, the closest reference group in any social class could be the age group to which one belongs and the income group to which he has qualified by way of making money in life. The peer group and the working and professional groups are equally important in exerting influence on the mindset and behavioural pattern of their members. The marketers like to discover and identify the reference groups of their consumers in order to find out the opinion makers and the influencers of the target markets.

Roles and Status

A person, while belonging to many groups, e.g., immediate family and the extended family, associations, clubs, organizations, social relationships, etc. performs different roles in each group and accordingly he enjoys varied and subjective status as a member of these groups. The person's position in each group can be different in terms of both role and status that he is expected to play in the reference group. A role refers to the activities the group members are expected to perform according to the group relationships surrounding them. For example, as a member of the family group, a person performs the role of a father, a son and a brother, in addition to the role of a husband or a wife, mother, sibling or a sister. Each role carries a status and the respectability accorded to it by the traditions and practices prevailing in the society. For example, it is seen that in matriarchal society where women are considered the heads of family, the status enjoyed by women in the family groups is of higher nature as compared to that of the women in the patriarchal society. In a patriarchal society, it is the man who holds the prime position in decision-making.

PERSONAL FACTORS

Personal factors of the individual character always influence the buying decision of an individual. Such characteristics are the buyer's age, his life-cycle stage, his education and his skill levels. We can include his job and his occupation, economic and financial position that determine his life style. In addition to mindset, cerebral make-up, innate personality and self-concept too exercise a strong influence on his buying decisions and consumption behaviour.

1. Age and Life-Cycle Stage

People buy different kinds of goods and services in their life time, depending on the age group they belong to. Buying behaviour is also affected by the stage of the family life cycle. For example, a young man will have a different definition and requirement of fashion wear as compared to the choice of clothes displayed by a married man. The young man will be more flamboyant and expressive with the times; on the other hand, a family man who has to bring up his children could be more conservative in his selection of colours and styles of clothes. The stages of family expansion through which families pass as they mature over time lead to change in the habits, likes and dislikes of the family members too. Marketers determine their strategies depending on the life-cycle stage of the consumers to whom they want to sell their products and services. A travel agent selling travel plans to a family may speak of the economic plans and the benefits attached to it, but the same travel agent will speak differently if it is addressed to a newly married couple for whom budgetary constraints is not that important as it could be to a family man with children.

2. Occupation

A person's occupation definitely influences his choice of goods, services and possessions. The members of the same occupation groups follow same television channels, frequent similar restaurants, and become members of similar social clubs. They even browse through similar websites. They read alike daily newspapers, professional journals and access other means and modes of information to remain in touch. This way, they make their mark in their occupations. They try to keep themselves in alignment yet in competition with peers and professional colleagues, rivals and supporters. Marketers identify the different occupational groups and develop their marketing strategy in such a way as to develop the interests of consumers in their products and services.

Economic Situation

A person's choice of the products and services is the outcome of the economic status the person enjoys in life. The sensitivity to the price or the preference for exclusive goods depends on the amount of money people earn. Marketing companies keep track of the price sensitivity of their consumers as it gets reflected on the preference of their products. The companies also keep watch on the income-sensitivity of different segments of the consumers to work out the pricing strategies for their products and services.

Life Style

It is generally observed that even though people may come from the same class, their life style can differ as per their tastes and choices developed in life. Life style is a person's choice of the pattern of living as expressed by him in daily buying decisions, selection of products and services, expression of interests, opinions and thought process. Life style is much beyond the person's social status, class or personality. It is a manifestation of a person's achievements, dreams, desires and aspirations. The marketer, by undertaking the study of the life style of the representative individual consumers from different social backgrounds, develops an understanding of shifting consumer choices, their attitudes, their preferences, their values, their likes and dislikes and the dynamic buying behaviour of the target customer segments and their social classes.

PSYCHOLOGICAL FACTORS

Consumers' buying decisions and choices of products get influenced by their individual psychological factors, e.g., motivation, perception, learning, and beliefs and attitudes.

Motivation

A person has many needs at any given time. A need gets converted into a motive when the intensity of the desire to fulfil that need gets aroused to a sufficient level of passion and urgency. The motive itself then becomes the need that is urgently pressing and it directs the person to seek gratification of the need and bring about the desired level of satisfaction. Marketing researchers undertake the study of the consumers' motivational factors in order to collect detailed information and knowledge about their deeper motives for their product perception, preferences and choices.

Perception

It is the process by which people visually and mentally select, organize, interpret and imbibe information to form a meaningful picture of the words, communication messages and advertising campaigns conducted by the product marketers. It may happen that two consumers with the same motivation and in the same situation (who are in receipt of similar messages from the marketers) may act quite differently. This will happen because both of them perceive the situation differently. They look at the product and their own satisfaction of the need differently. Consumers form different perceptions of the same stimulus from the marketer because of three selective perceptual processes: selective exposure, selective distortion, and selective retention.

Learning

People learn when they act. Learning brings about change in an individual's behaviour on account of experiences that the individual gains. The learning theory is important for the marketers of products as by understanding the impact of learning on the consumers, they can form their demand generation strategies for their products. They can communicate about their products (to the target consumers) with strong drives, using motivating cues similar to the ones used by their competition and complimentary products. Buyers are more likely to transfer their loyalty to brands perceived similar by them (on account of similar stimulus cues used by competing brands) rather than to dissimilar brands where the differences may not either be acceptable or the consumers may not have the knowledge about it. The marketing companies can also design their product and brand strategies to appeal to a different set of drives and offer strong cue inducements to their target consumers to switch from competition to their products.

Beliefs and Attitudes

People acquire beliefs and attitudes about the products and services when they act and learn. These beliefs and attitudes exert a direct influence on their buying behaviour. A belief refers to the descriptive thought that a person has about something. An attitude describes a person's relatively consistent evaluations, feelings, and tendencies towards an object or idea. Marketers are always

keen to find out about the beliefs and attitudes that people have about their products and services. The marketers launch product promotion campaigns to establish positive beliefs and attitudes about their products in the mind of their consumers. The launch, many times, is also meant to remove the negative experiences and reinforce the positive messages and thereby make favourable attitudes towards the companies and their products.

DEFINITION AND MEANING OF CULTURE

As a result of the globalization of the world economy, countries all over the globe have been opening their doors and welcoming the foreign multinationals corporate from developed countries, firms from emerging economies. At the same time, they want manufacturing and trading corporations and business firms from their own countries to move out and spread globally around the world, whichever way possible, be it mega mergers, franchising, setting their own subsidiaries or just about getting a foothold through trading itself. Multimega corporates, e.g. China's Huanei (through telecommunications equipment), American Wal-Mart (through mega malls), India's Tata Sons (through tea growing and steel), India's Infosys (through IT and business outsourcing), have begun marketing their products and services to unknown markets of the countries around the world. This kind of internationalization of their products and selling had been the mainstay of GE, Pepsi, Coca Cola, IBM, Proctor and Gamble, KFC, Microsoft and a host of other multinationals from Japan, e.g. Panasonic, Suzuki, and Honda. All these companies need cultural sensitivity towards the countries they are entering into, in order to build up their brands and gain acceptance in all the sections of society of these countries. Cultural sensitivity, if ignored, can result in the kind of disasters that Proctor and Gamble faced when the company first ventured out in the Japanese market in 1973. The Japanese consumer had been attacked with American products, American way of selling, American way of managing, and American strategies with scant regard to local needs, local culture, local social norms, and local living habits with the results that Proctor and Gamble virtually suffered huge losses till 1987 in Japan or until it eventually understood the local culture and started playing the marketing game the same way as the Japanese do in Japan and became the second largest foreign market for P&G.

Culture is the way people lead their lives. Just as fish cannot live without water, similarly a man without culture will feel suffocated. It is the individual's recognizable environment in which a person breathes familiar smells from his childhood. He hears and listens to centuries-old lullabies from grandparents and parents. A culture pervades and manifests in a persons' life when he adopts a familiar way of eating daily bread. Indians eat their food with their hands. Some of them may lick their fingers too, whereas the Chinese would use chopsticks to pick up their noodles. An Englishman may scoff at the idea of using hands for putting morsels into his mouth. He may not relish his eating until a fork and knife are given to him. All these habits of eating normal food form part of culture.

Culture pervades all forms of living standards of men and women. Culture can be seen in the dress codes of each society. If *kimono* is Japanese ladies' gown, sari is preferred by an Indian woman, and skirt of an English lady. It could be blasphemous to expect all such dresses to be worn openly in a conservative Muslim society where *burkha* is prevalent among women as the normal attire and she is expected to cover herself from head to toe in the presence of strangers.

Culture influences the saving and spending patterns of a society. For example, in Japan though savings abound in post offices and banks, in spite of low returns (9 percent in post offices and

2 percent in nationalized banks) investment in stocks is not considered a viable better return alternative; whereas in United States, more than half the population owns stocks. The work culture too differs from country to country. A US resident, despite having a five-day week, would love to get additional days of rest and holidays. An American would love to go on a pleasure trip abroad given a chance. The Japanese workers and employees, on the other hand, may have to be lured away from the work place by offer of incentives to take a break. Such is his addiction to work, or call it Japanese's love for the duty.

Culture is defined as the personality of society. It is defined as continuously evolving totality of learned and shared experiences of life that give meaning to rituals, norms, traditions, nuances, languages, symbols, and common values among the members of an organization and society.

Culture has also been defined as "software of mind which provides a guide for humans on how to think and behave; culture is a problem solving tool".³

Culture has been further defined as collective programming of the mind which distinguishes the members of one group or category from other.⁴

Culture is not static. It evolves itself over different periods of time by imbibing values and beliefs, when it comes into contact with other cultures of the world. That is why we have Mughalization of Indian culture, more particularly in the northern and western part of the country where the Mughals ruled for a long time. The impact of Portuguese culture and French cultures can be seen in those parts of India where both these nations ruled. The legacy of British culture can be seen again in Commonwealth countries which were governed by the Queen and her ruling representatives. People have learned and adapted culture through socialization and accultrization, whenever they are exposed to or are subjected to changing environments in society. That is why culture has also been defined as " the sum total of the values, rituals, beliefs and thought processes that are learned, shared by a group, of people and transmitted from generation to generation."⁵

Culture is a way of living of a human being, his thinking style, his decisions about the consumption and purchase patterns and eventually the adaptation of soul cleansing activities of religious norms that he adopts from the society he lives in. Culture is what a person adapts, acquires, and adopts through social interaction and peer pressure, through the influence of social thinkers, leaders, and captains of society, who help evolve new and better way to develop their culture in comparison with other cultures of the world.

HOW DOES CULTURE INTEREST A MARKETER

We have understood that the basic task of a marketer is to maximize his profits through satisfaction of his customer's need. This will mean the marketer must understand the basic need, the need that is governed by culture, the influences and pressure of society to which the customer belongs. A marketer must have a complete knowledge of culture, more so an international marketer who has to sell his products to different cultures as he faces diverse and different cultures in each country. This knowledge will equip him to fashion and design his products and services as per the need of the customer. He will work out his distribution plans; evolve marketing and advertising strategies to become effective in his multi country marketing efforts.

Culture plays a very important role in marketing. While understanding the need of his consumer from different cultures, a marketer will have to study the consumer not only through his geographical and historical background but also through cultural background, to understand what is acceptable

and what is not acceptable in the environment his client wakes up, walks, eats and sleeps into. He will have to understand what colours, symbols, alphabets, languages, signs, photographs, scenes, backgrounds and religious norms; will be acceptable to his multicultural consumers, because in multicultural markets, no two cultures from two adjoining and adjacent countries could be similar. In India, the dialect that people speak in their language and their dress codes are diversely different from one state to another.

A marketer has to understand the fabric of cultures within a culture, called sub cultures, to get a better appreciation of the cultures he will be selling his products to and communicating marketing and advertising strategies.

CONSTITUENTS OF CULTURE

The main constituents of culture that make each culture identifiable and separately distinct are as under.

Ecology or Geography

It means the way the individual in society accepts the process of ecological factors, i.e. the flora and fauna, wild life, climate, temperature, topography, natural resources, rivers, mountains, plains, minerals and other such gifts of God. Such preservation of resources, their utilization and development for human needs and their protection, and for all species on the earth, speak of the culture of that society. How these geographical or ecological factors are distributed among the haves and have-nots, among the developed and yet-to-develop is the very thread of culture. Ecology also affects the history and economy of nations, and consumer behaviour. As Professor Phillip Parker reports, "Geography has deep influence on history, economics, and consumer behaviour"; he further adds, "strong correlation exists between the climate and the per capita gross domestic product of countries."⁶

Heritage

The historical facts have a very strong impact on technological and architectural developments, social institutes, cultural fabrics, social norms, attitude towards new innovations and their acceptance by the people of their times in which these innovations had been developed. Our history speaks of the impact of architecture on Indian buildings and on the construction industry. The Industrial Revolution of the 18th century affected the social fabrics of Great Britain. The historical wars, fought with the invaders, the Mughals and British rulers of India, have all been reflected in the heritage of society. The cultural values that the society has imbibed from these invaders who settled down in the country have become part of the culture evolved over the centuries. Heritage can be seen in the literature of ancient times, which have influenced the cultural evolution of societies across the world. For example, Buddhism gave the ideal of tolerance and peace to Asians in inheritance, shaping out more pliable and peace loving individuals in the Asian continent. The message of renunciation by the great thinkers taught a life of sparse needs. The ancient cultures of Asia preach not running after the symbols of affluent possessions.

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In the West, on the other side, American Declaration of Independence brought out a sense of individual freedom where the welfare of individual scores over the concern for the nation as a whole. History again becomes evident in China where despite growing consumerism, the philosophy of communism in thought and policy making of the rulers prevails even after many years of Mao's departure. Heritage and inheritance thus affect every culture, be it the German pride of being a superior and stronger nation or the Mongolian influence of being a nation of warriors and survivors in many other central Asian cultures.

Social Fabric

It includes religion, family, institutions of education, social organizations, thinking of philosophers, ruling elite and ruled multitudes. The social fabric of a culture speaks of interpersonal and intrapersonal relationships the society members maintain with each other. Casteism, love of family, love of neighbourhood, tolerance of strangers, accommodation of others by selfless behaviour, love for one's own religion, and respect for others faiths and beliefs are what constitute a society's behaviour. These behaviour patterns run from generation to generation.

Family

In societies where closeknit social institutions such as family, clan, and tribe still exist, it becomes easy for a marketer to plan and direct his advertising efforts on joint promotions. In the eastern cultures, family values are derived from small group norms, which are extended to the enlarged family of the locality or immediate neighbourhood, to the entire village. In India, every unmarried girl or boy from the same village is treated like the members of one single family assuming a filial relationship among them. The family in the Western world would mean the immediate family only. It does not extend beyond relationship through blood. The neighbourhood dating as such is an in-thing in a Western society.

Casteism

It can be seen in the family marital relationships, honour killings exist in societies and cultures of Pakistan. In India, if a higher caste person marries in a lower caste, it is not acceptable even today across many parts of the country, when the nation has attained a literacy rate of 64 percent. Caste system prevails even in the work culture. A higher caste will not take to the profession associated with the culture of the oppressed caste, e.g. the work of artisans, and menial jobs. On the other hand, Western society has evolved itself into a casteless society without bias, where only the work culture prevails. A marketer marketing his products to a multicultural universe has to be fully aware of all such differences in a society.

Ideals

Ideals of culture are governed by religious, social associations, e.g. preachers, and politicians (through governance), media and business organizations. The marketer will have to gather knowledge on all such institutions of culture that influence the ideals of society.

CULTURAL VALUES

Values sustain individual as well as group behaviour and their attitude towards each other in society. Cultural values are learned and unlearned from personal, social and cultural interactions and experiences. These value have been defined as "enduring beliefs about a specific mode of conduct or desirable end state; they guide the selection or evaluation of behaviour, are ordered by the importance in relation to one another to form a system of value priorities."⁷

Values are gained and imbibed by individuals from the culture to which they belong, i.e. the family unit, the immediate neighbourhood, the teachers, the religious practitioners, and the politicians. In modern times, values are also imbibed from the media, i.e., the print media, movies and the electronic media play a large part in influencing the minds of individuals and hence, value's shown in public life are learned by individuals from the media handouts.

The first task of a person of an Asian origin on landing in the United States with the local culture will be to assimilate details on what he must do or not do in America by reading about American culture through media reports, through publications of different times and the audio visual programmes of electronic media, whence the accultrization of the individual begins. It is not unlearning of home values but assimilation of American values which he will gather by interaction and adaptation. For example, living in a joint family, taking care of the weak, the infirm, the needy and the old parents is the prime belief and value of Indian life that the individual learns at home; in America, he may learn that individual success, individual freedom and individual achievement are more important in life. He may learn that the average American starts working in his teens and separates from his or her parental home; whereas in Asian culture, particularly in Pakistani and Indian culture, staying within the family fold even till late 20s or 30s or even lifelong is an acceptable way of life.

Milton J. Rokeach's Value Scale

The value scale wields greater influence on determining the values related to the achievement of goals and the behaviour needed to reach these goals. Both the values have been identified by Rokeach separately as:

- (a) Terminal values which have been referred to as the end states.
- (b) The instrumental values which are important to achieve the goals.

By making use of the Rokeach scale (Figure 8.5), the marketers can identify the customer values in terms of brand preferences, product usage patterns, market segmentations and marketing communications to be addressed to different segments.

Value Systems

Value systems is a term used for the total set of values and the kind of importance the culture accords to these values. It has been observed that the way an individual behaves in a given situation is influenced by the fact as to how much importance has been placed on one value compared to other values. We have observed in the chapter earlier how Hofstede's Value Survey Model deals with subjects like individualism, power distance, masculinity and uncertainty avoidance in different cultures. The cultures from the east place more value on the community values, on values

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Terminal values (the end states)	Instrumental values (behaviour modes)	
1. Comfortable Life	Ambition	
2. Exciting Life	Broadmindedness	
3. Sense of Accomplishment	Capability	
4. World at Peace	Cheerfulness	
5. World of Beauty	Cleanliness	
6. Equality	Courageous	
7. Family Security	Forgiving	
8. Freedom	Honesty	
9. Happiness	Imaginative	
10. Inner Harmony	Independent	
11. Mature Love	Intellectual	
12. National Security	Logical	
13. Pleasure	Loving	
14. Salvation	Obedient	
15. Self-respect	Polite	
16. Social Recognition	Responsible	
17. True Friendship	Self-controlled	
18. Wisdom		

FIGURE 8.5 Rokeach Value Scale

that speak of the collectivism of family, society and inner peace, whereas the cultures from the western countries lay more emphasis on individual achievements, material success and the spirit of competition.

Global Values

Global values become more relevant in today's context as the globalization of the economies and the countries has been able to bridge the cultural gaps of societies to a large extent. Global values are not different from the terminal values and the instrumental values propagated by Milton J. Rokeach in his value scale. These values have been further subdivided into the following seven categories:⁸

- ▲ Maturity
- ▲ Self-direction
- Achievement
- ▲ Employment
- ▲ Security
- Pro-social
- Restrictive conformity

While the first four global values relate to the terminal values, the remaining three values are taken as the instrumental values.

CHARACTERISTICS OF CULTURE

Culture does not come by being born in a particular family. The person learns culture by experiencing it in his life time by being part of it and savouring its different shades. He imbibes culture by being a member of the institutions that make up culture of the society he belongs to. A person picks up culture in the language that he speaks. Culture prevails in the religion that a person professes, political thought that he subscribes to. Culture can be seen in the media that a person patronizes. Culture comes to the person from the motherly love and affection that he gets in the family. In every sphere of life, some elements of culture can be witnessed. These rudiments of culture are expressed in their comprehensiveness and totality when the person interacts with other individuals in his day-to-day life. We deal here with the basic characteristics of culture (Figure 8.6).

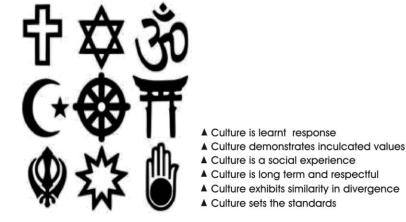


FIGURE 8.6 Characteristics of Culture

Culture is Learnt Response

A child may pick up the basic language spoken by the mother, but he learns the social behaviour only when he moves out of the family circle. He learns by interaction and experiences. The society will teach him communication and interaction rules and norms of dealing with others. The person's learning efforts will be suitably rewarded or admonished and punished for responding to the stimulus offered to him by social interaction. This way, each response that the individual gives to any kind of stimulus is a learnt response which comes with experience and interaction with others in life.

Culture Demonstrates Inculcated Values

The values of the society are the dos and don'ts of any society to build up the culture and keep it alive from generations to generations. The individual in a society learns to behave and deal with each other on the values decided by the culture. The spirit of freedom, respect for others' privacy and equality are the values inculcated in an open kind of culture prevailing in the west. Respect for elders, concern for all members of extended family in a village or smaller cities, taking care of the aged, the infirm and the old parents are the values inculcated by the society in the east. Each Influence of Social Classes on Consumer Behaviour **199**

culture demonstrates its values inculcated in its members through their behaviour, interface and relations with other members of the social classes.

Culture is a Social Experience

Individuals living in a society are part of it. Their upbringing, their grooming and their social conditioning is done by their immediate family, their extended family and by the society surrounding them in the manner that the society deems fit for social interaction. For example, a Muslim lady who has been brought up in a conservative culture of not talking to strangers will find herself in an awkward situation if she is asked to address a group of strange men. The emancipated young woman from a metropolitan town, on the other hand, will be at ease addressing a group of male colleagues in her office because she has been brought up in a free atmosphere of unisex culture and her interacting with a colleague from the office may not involve the gender difference. The individual thought process, behaviour and interaction with other members is always conditioned by the social experience and by the social institutions that build up the culture. The consumer behaviour is a result of all the social conditionings that he has had in his growing up years in the society.

Culture is Long-term and Respectful

Culture definitely is long-term as it has evolved over many generations and many civilizations. Religion, language, customs, traditions, philosophies, beliefs, thoughts and institutions of any culture draw out a complete faith and respect from its members. For example, Hindu culture in the east has evolved itself from many centuries of adaptation and has withstood the onslaughts of foreign invaders, foreign cultures and even threats and distortion from within its own self. The resultant present-day culture is the outcome of a long-term hibernation and development of cultural thoughts, traditions and philosophy. Each culture is, in a way, respectful and gratifying because of its long history of adaptation, assimilation and growth and each culture expects its members to become respectful to its traditions and institutions.

Culture Exhibits Similarity in Divergence

Culture is the accumulation of divergences of different languages, religions, beliefs, values, attitudes, subcultures and traditions, yet, at the surface level, it exhibits similarity in all its differences. We find that many of the values of different cultures, teachings of the different religions under the culture, social dos and don'ts of the society appear similar. The basic human natures such as compassion, piety, humanity and belief of people from different cultures remain the same.

Culture Sets the Standards

The standards of human behaviour are set by the culture and its institutions, and not by the individual. The individual simply has to perpetuate and carry forward the standards of behaviour set by the social institutions. The standards of morals, yardsticks of ethics, principles of human piety, standards of tolerance, and rules of etiquettes are set by the society. The culture is so developed by the society. Culture spells out the traditions of dress for men and women. It prescribes the kind of family system that should prevail and the place for women and elders in the family system. Culture

decides whether it will be a patriarchal society or matriarchal system of family. The marketing man simply has to understand the standards set by the culture and respect all such standards in his marketing strategies and communications of marketing.

CROSS CULTURAL MARKETING

The boundaries of the marketers today have become without the walls of nations. The opportunities for marketers are endless and the challenges too many as they move from the closed national economies to the global economy to sell their products and services. With the economy of every country opening up its doors to international manufacturers and marketers, the scenario has changed radically in the Indian market too. The marketer today has to cater to the needs of many cultures across numerous countries of the world. The liberalized economy also provides Indian consumers internationally acclaimed brands at competitive prices, international quality at the doorsteps and even the international customers to the manufacturers across the countries by way of access through open door policy of the globalized economies and also through the Internet and world wide web. The companies from abroad have to understand the local customer of the countries in which they operate as he is living in his culture, in his social classes on his home turf. The local firms, on the other hand, have to fight back global and multicultural competition on an equal footing by raising their own understanding of the international customers in their accepted levels of behaviour by knowing their cultures.

Motivating Factors of Cross-Cultural Marketing

The shortening of distances in the global economy due to the development of means of communication and travel has led to better interdependence among nations of the world. Today, no country wants to remain aloof or exclusive and deprive its citizens of the benefit of better standards of living on account of globalization of economies. Even the cultures today are willing to imbibe and adopt in order to ensure the inculcation of progressive attitude among their people. The modern customer is enlightened about the difference in the standards of living among the haves and have-nots. He understands the reasons for differentiation among the developed, the developing and the yetto-develop economies. Such awareness on the part of the international consumers offers a great opportunity to companies to develop such marketing strategies that can reach out to customers across multicultural markets. These marketing firms are keen to find consumer acceptance and shelf space in all kinds of cultures in order to sell their products. If Bajaj Auto wants to go out and sell its motorcycles to the French, it may not mean merely dumping its surplus production. At the multicultural level of marketing, it may mean understanding the French culture, finding out what kind of two wheelers will be the ideal products for the male and female French customers. This is necessary to understand so that the company can compete with the French manufacturers on an equal footing. Similarly, if Hero Cycles wants to set up a manufacturing hub in China, it will mean facing competition from the Chinese manufacturers on their own home turf, under conditions that will be familiar for Chinese manufacturers, and not to Hero Cycles. The motives for taking fast strides in the cross cultural markets may vary from economic to attaining competitive edge, and Influence of Social Classes on Consumer Behaviour **201**

for the ultimate customer delight. Some of the motives as to why firms want to sell in cross culture markets are mentioned below:

- ▲ To attain competitive edge in all kinds of markets
- ▲ To become a viable business in the worldwide integration of economies
- ▲ To gain advantageous situation by adopting technology edge and infrastructural development (e.g. telecom, transportation)
- ▲ To take benefits of growth in purchasing power of the new consumer
- ▲ Emergence of demanding consumers calls for the marketer to understand and fulfil his demands

Firm specific factors are as follows:

- ▲ Capacity utilization and economic advantages will come by going international and multicultural.
- ▲ Product life cycle extension will be taken care of by finding markets around multicultural universe.
- ▲ To gain the advantage of experience transfers and benchmarking.

Each of the above factors are discussed here.

Competitive Edge

Competition brings out the best in a manufacturer and his capabilities are tested in satisfying his consumers in the testing times of global competition. In a closed economy of the kind India had till the early 90s, Indian manufacturers did not feel the need to go international and sell to cross cultural customers. It was a seller's heaven, in almost all industries. The automobile industry had cars by the brand and standards of Ambassador and Fiat, whereas scooter manufacturers like Bajaj were firmly ensconced in their protective territories. Similarly, the manufacturers of white goods offered only a few products with little competitive edge, each knowing full well that consumers will perforce lap up the entire production. Post-1990s, the scenario has changed. Suzuki's entry through Maruti Udhyog Limited brought in the Japanese culture of light motorcycles, to the Indian market. Hyundai, Toyota, General Motors and Ford now found that the Indian customer was willing to accept their technology of international standards and culture. When automobiles manufacturers came in from abroad to India, component manufacturers too followed them. Bridgestone Tyres moved into India along with the automobile manufacturers, to keep the competitive edge in the original equipment supplies. Such situations force the local industry to either give up or to buckle up and to look for new technology, new markets and new cultures around the world. This was indeed a multicultural market in its finest testing stage when Honda tied up with Hero Cycles, TVS decided to get into collaborative manufacturing and marketing with Suzuki from Japan. Japanese manufacturers were learning the nuances of Indian culture and the Indian marketers were being exposed to the Japanese way of working, thus bringing about the assimilation of two different cultures to take care of the new multicultural customers' demands.

Worldwide Integration of Economies

The global business today is developing into a boundaryless business world. The General Agreement in Trade and Tariff (GATT) and subsequent developments in the WTO are helping the companies move into new nations, new economies and to new customers of various cultures. The companies,

too, will have to learn new working systems, adapt themselves to the new cultural norms of the countries in which they set up shops.

Technological Edge

Technology advancement and breakthrough brings about upgradadtion in standards of living. Technology has standardized manufacturing processes, resulting in large-scale productions, offering economies of scale. The manufacturers can today afford to be competitive in any part of the world, to customers representing many kinds of cultures. The motorcycles produced by Honda Unicorn in India can compete with other motorcycles across the world. China has gone further and, in fact, its production levels offer it the highest scale of economies. Similarly, developments in the means of transportation and telecom have brought the countries of the world even closer. The multi-modal transportation giants have taken away all the problems of exporting and offer their services virtually at the doorsteps of international marketing firms. The establishment of dry ports in many parts of different countries, where the containers move from the exporter's town itself, adds to the convenience. It has brought down the cost of transportation considerably.

The establishment of telecommunication networks, mobile telephones, the Internet and web cams have all contributed to faster and safer international business. Electronic signatures on the Internet have eliminated many unnecessary paper-processing delays, encouraging the marketing firms to establish their connections worldwide. The denizens of seven seas of the world today have become one globalized village's residents, each within the reach of a flick of a finger.

Purchasing Power

The purchasing power of large Asian nations like China, India and Japan has grown manifold. The middle class of India offers the largest market of haves to the marketers of the world. China's foray into privatization and allowing private FDIs has led to open foreign trade with China. At the same time, aggressive export and international trading bring home the much-needed dollars, which are then ploughed back into product and infrastructure development.

The Indian economy saw the emergence of local multinationals, which attained multibillion dollar turnovers through outsourcing of business processing and which then offered huge wealth to local manufacturers. The emergence of auto component manufacturers, call centres, software development organizations and health and medical development centres all are examples of an economic upsurge. Infosys, Wipro, Convergys and Persistent are only a few names of the firms that have helped the Indian economic upsurge through their dollar earnings. But along with the dollar earning by the Indian companies, the globalization brought in the process of multicultural marketing as these companies had to now sell their other multicultural consumers across the globe.

Emergence of Demanding Global Consumers

The global media has brought worldclass products into people's living rooms and bedrooms. Today, young people in all corners of the world listen to the same music. They watch IFFA awards at the same time as they watch MTV awards. The consumer is exposed to all international brands, such as Nike, Levi's, LG mobile phones, Motorola phones and many other such products which are now available simultaneously in many countries of the world. This modern consumer education

has brought in a natural demand for common and most sought-after brands, virtually motivating marketing firms to start their own distribution worldwide. Shopping malls, retail chains and franchises are all falling over each other to cater to this multicultural, international, discerning, knowledgeable and willing-to-spend consumer. Pizza Hut, McDonalds, Cookie Mans, Barista, L.L. Beans and many other international chain food stores all find a new type of multicultural consumer whose taste buds are demanding international delicacies from all cultures of the world.

Capacity Utilization and Economic Advantages

In international marketing operations, the break-evens are moving up due to higher cost of setting up globally viable units. In order to reach the levels of production that could bring in positive returns, many times, manufacturers look beyond national boundaries to prepare themselves to compete against the global giants through worldwide operations. As a result, firms usually go for international operations. The steel industry saw such emergence of global operations in the merger of top world manufacturers like Mittal Steels and Arcelor. Similarly, Tata Steel has also gone international to counter competition. Videocon prefers calling itself an Indian multinational to achieve regiocentric operational efficiency that could bring down costs.

Product Life Cycle (PLC) Extension

This can only be a short-term strategy. Many times, products on the verge of declining trends on the PLC may get a new lease of life by opening up of new markets internationally. Sometimes even at the introductory and growth stages of PLC, a company may like to recover the high cost of product development by offering the same to international markets, till others catch up with it. The cold drinks and beverages industry of the United States got a new lease of life in the early 80s, when both Pepsi and Coke moved into many Asian countries. Similarly, cigarette manufacturers were able to revive their fortunes when they ventured into China and Eastern Europe, after their economies opened up.

CHALLENGES FIRMS FACE IN CROSS CULTURAL MARKETING

Though many people call these challenges difficulties, reluctance and hurdles for the marketing firms operating at the cross cultural level, we will like to name these difficulties as challenges to the acumen and talents of the marketers who have taken it upon themselves to market their products and services to the consumers belonging to different and multifarious cultures across the world.

Political and Legal Environment

The marketing firms doing business with different cultures across the globe have to follow rules, regulations, trade laws, taxation laws and local contractual obligations, e.g. a number of countries may follow English law, countries in some other parts of the world may have their own systems and laws devised. Besides, the local administration in each country would prefer controlling the international imports to their country in order to protect local industry through tariff and non-tariff barriers. Similarly, political culture, and political ideologies of the nations may not see eye

to eye. But an international firm's public relations activities will ensure that it overcomes all such challenges, when entering into business with such nations. Some of the US expatriate managers are experts in handling such situations, as almost all US-based firms face some hostile nation or the other. Yet, they manage their relationships in such a manner that the US multinationals keep growing. In a situation where political cultures and political ideologies differ, some leading multinational companies prefer employing expatriate managers from neutral countries. These companies keenly follow the changes in local governance culture and change their own loyalties according to the changes in the administrative culture.

Cross Cultural Environment

The cross cultural environment poses yet another challenge to marketers at the international level. Differences in the customs and traditions practiced and followed by different communities around the world can lead to situations where communication with the consumers, users and customers can be misinterpreted. The variation in semiotics, values, ideas, attitudes, beliefs, languages, assumptions and traditions pose a challenge to the marketing manager. The marketing manager must identify similarities and disparities in cultures and take steps for adaptations in different cultures and countries. That will avoid waste of time and cost. He must find answers to the following questions:

- (i) What products should be selected that can well be accepted across all cultures?
- (ii) How should he address the target universe of consumers?
- (iii) Which communicating and selling approach should be adopted for which country, i.e. hard sell or soft sell approach (e.g., in United Kingdom, the soft sell is appreciated, whereas in Germany, the hard sell approach may be appropriate)?
- (iv) What should the marketer emphasize while speaking to the foreign culture and foreign consumers? Whether he should emphasize—the price, the quality or is it that both can be addressed at the same time, in addition to any other factor? The marketers have to understand that many cultures are price sensitive, whereas some others may be status and quality conscious.
- (v) How to react to unexpected circumstances in a foreign culture?
- (vi) How to select the right kind of personnel for international postings and arrange for proper training for them to understand the local culture in which they will be operating and marketing to the local customers?
- (vii) How to transfer one culture's experience to another in order to add values to the brands abroad?

Competitive Environment of Cross Cultures

Taken in the right spirit, competition can spur an organization to excellence. At the same time, however, it can be dispiriting if the opponents indulge in prohibitive tactics, for instance they may employ strategies to block channels of distribution, devise prohibitive trading contracts, resort to negative advertising policies and either suddenly raise prices or lower them. Such tactics can either force them to retreat or to become aggressive in their approach in meeting the demands of the multicultural markets. Pepsi and Coke have often indulged in similar fierce competitive fights, not only between themselves but also against the local soft drink manufacturers of some countries.

STRATEGIES FOR DEALING WITH CROSS CULTURAL DIFFERENCES

Once an organization dealing in multi-country locations has identified differences in cultural values, it must understand fully what steps its executives should adopt and what steps can prove detrimental to business. All such possibilities will be taken up for discussion here.

Each culture has its own set of acceptable and unacceptable individuals as well as social behavioural norms. These are the set of rules that dictate what is morally, ethically and socially correct for that particular society. The same set of rules may not be applicable to outsiders. When entering a new foreign country, or even when devising a strategy in its current country of operation, marketers must understand dos and don'ts of all cultures that their consumers belong to and in which they are going to conduct their business.

The problem is aggravated when the marketing firm has to deal with the cultures abroad. In fact, host cultures always do not expect foreigners to adjust to them. International marketing companies have sometimes succeeded in introducing new products, technologies and operating procedures to foreign countries with little adjustment. That is because some of these introductions have not run counter to deep-seated attitudes or because the host society is willing to accept foreign custom as a trade-off for other advantages. For example, Bahrain has permitted sale of pork products (otherwise outlawed by religious law) as long as they are sold in separate rooms of grocery stores, where Muslims can neither work nor shop.

The marketing managers will have to understand the do's and don'ts of all cross cultures to understand the behaviour norms of the consumers form these cultures. These set of do's and don'ts are also referred to as *cultural imperatives*, *cultural exclusives* and *cultural adiophora*, which marketers must adhere to, to ensure their survival and continuance in multi-country cross cultural markets. These expectations may not be handed over by any culture in a set of instructions but an experienced marketing manager will keep on updating and adapting to such behavioural norms while interacting with the locals from different cultures. This process of making adjustments within the cross cultures is known as *acculturation*, where one acquires the norms, rituals and ethics of foreign culture.

Cultural Imperatives

These are the set of norms that ensure that business is conducted in the same way the locals do. For example, giving due regard and respect to seniors and elderly is a way of life in India, and it is expected that business partners, even from abroad, will also follow similar norms. People address each other in formal relationships by affixing respectable words either before or after the name, but in America everyone can be addressed by their first names. Again, while introducing oneself on a business call, one may attach one's surname with the first name. For an American, however, the first name suffices. In many European countries, while conducting business, people will address each other by their last names. The obedience and adherence to government authority, rules and regulations are acceptable norms in any society, but more so in eastern cultures where even petty officials expect to be treated as the seal of authority of the government. And, it is in the interest of businesspersons to know such petty officials because, otherwise, they can create problems in the smooth flow of business. Such a situation may not prevail in the West.

Imperatives can be seen in the way a society treats its women, whose status in each country differs. In certain societies, such as those of China, Nepal and Bhutan, women may be at the

forefront of business negotiations. In some Muslim dominated areas of the world, the segregation of women from males is a way of life. In many countries, women conduct business with their bodies, faces and heads covered behind a veil. They may not accompany their business clients for lunch or dinner and may not invite or accept invitations to social get-togethers unless a member of their family is accompanying them.

Cultural Exclusives

There are many activities that only members belonging to the particular local culture may perform and which foreigners or people from other cultures may not understand and hence are not even expected to follow. Touching the feet of elders and seeking their blessings is a common practice in India, but a foreigner is hardly expected to follow the custom. Similarly, devout Muslims will offer prayers five times a day, even at their place of work, just as devout Hindus will worship their deities before beginning the day's work. This may seem strange to a foreigner, who may be more used to praying in private or in a church.

Cultural Adiophora

These are the local customs that, whether they are followed by foreigners or not, do not affect the business relationship. Eating with hands and greeting each other with folded hands are a couple of examples of adiophora. In case a foreigner wants to eat with his hands, it may not raise eyebrows and will be accepted as a normal gesture.

SUBCULTURE AND CONSUMER BEHAVIOUR

While at the international and global level, a marketer has to overcome and meet strategically the challenges of cross cultures, he may find it more difficult to deal with the influences of the subcultures within the cultures. Subcultural differences refer to the situation where the influences of differences in values of the sub groups within the larger cultures have to be understood and taken care of by the marketing managers. For example, while Macdonald's and Pizza Huts adapted their menus to suit the Indian palate, they also had to take care of the differences in taste that exist between the north Indian and the south Indian consumers, or even the western India and the east India. The subculture differences can be seen in family orientations, in the family values, in the status of women, in the attitudes towards women, and many other such facets of life. All these difference are directly reflected in the consumer decision-making. Hence, a marketer has to understand various aspects of the subculture that can influence the decision-making of his consumers. The consumer behaviour can be influenced by the aspects such as the distinctiveness of the subculture, homogeneity available within the subcultures, and the exclusion of the subculture. We discuss below all the three aspects.

Three Aspects of Subculture

Subcultures within the culture can differ from each other as we have discussed above and that will spell out the difference in the consumer decision-making, even though the consumers apparently

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belong to similar culture. The following three aspects need to be highlighted that can influence the variety in consumer behaviour:

1. Subcultural Distinctiveness

A subculture is an identified distinctive unit of the social group within the culture. Each subculture tries to maintain its identity with a view to making itself distinctive from other larger groups of the culture. For example, Chinese people in many parts of India today also maintain their distinctive identity by maintaining their values systems, living habits and the language. They practice their own religion and belief systems, without letting them get influenced by the local cultures and traditions.

2. Subculture Homogeneity

Homogeneity in subculture makes it easier for the marketer to address the consumers. The racial subcultures and the religious subcultures are generally homogenous in nature. In India, many tribal cultures are completely homogenous subcultures, with each member following similar norms, language, religion and other beliefs. Their family values, virtues and taboos are also similar. Such homogeneity offer preset marketing strategies opportunities and strategies to be adopted by the marketers to communicate with their consumers. Such homogeneity may not be distinctively visible in the urbane Indian population who may practice their own separate religious, ethnic, and cultural life styles, even though they may form a distinct subclass of educated middle class Indian.

3. Subculture Exclusion

Such exclusion is practiced by the larger groups of the larger cultures to make sure the excluded do not get sublimed and vitiate either the larger culture or get lost in the larger culture. Many examples of such exclusion can be given from the history of almost every culture of the world. Exclusion has been practiced by the majority Hindu subcultures to exclude the minorities from their midst, the scheduled castes, the tribes; the subdued women in many societies have been excluded and treated as a separate subgroup. The most identifiable exclusion has been the exclusion of blacks from the white society of America and South Africa. The apartheid practices of the whites have always kept the progress and its fruits away from the blacks in the history of American and African culture.

Elements of Subculture

Subculture groups are formed not only on account of the geographic location of the culture. In fact, geographic divide is a very small element of forming a cultural subgroup. The major elements that help the formation of a subgroup may vary from the use of a language to the belief in a particular religion and a sect. We discuss hereunder some of the elements that become the major factors for formation of subcultures.

1. Religion as an Element of a Subculture

Religion gives meaning and sustenance to a culture's origin and the food for existence. Through fear and belief of the unknown and the supernatural, it defines a subculture's value system, attitudes and hopes. It provides the reason to multitudes in this world to bravely face the problems of life and then come together as groups to form a distinct culture and civilization. Many religions of the

world teach mankind different ways of leading their lives; some preach simplicity in every aspect of life, just as Hinduism and Buddhism propagate a life of renunciation, a life that teaches and shows the path to salvation. There are other religions that teach the practical ways to wisdom. Islam is a religion that teaches the ways of everyday living, actually specifying the day-to-day living and social etiquettes. It also prohibits charging and calculation of interest. Islam talks about the relationship between men and women, advocating maintenance of marriage codes and divorce systems. Judaism propagates the emancipation of human soul through education and removal of ignorance.

Religious beliefs and preaching play a large role in shaping the consumption behaviour of a society. Purchase patterns, value calculation, individualism, totalitarianism, social hierarchical systems, family affiliations, cultural values, family norms, the status of women, the status of the old and infirm, the institution of marriage, the judicial systems and even the jurisprudence and the criminal code of conduct and the penal codes, all find their origin in the religions of the world. Religion also determines the food habits of its followers. Hinduism, Buddhism, Jainism and many other small sects of eastern religions teach sympathy towards other living creatures of the world.

2. Language as an Element of Subculture

Language is a unifying yet distinguishing force in the face of diversity in many cultures. For example, Hindi is a unifying force in north India. Formation of the cult of subculture is greatly facilitated if there is commonality in language. The language diversity makes it difficult for companies to integrate their workforces and to market their products on a truly national level, as each dialect, nuance and complexity may differ from culture to culture. Marketers, therefore, have to understand both the written and spoken language and also the non-verbal language of the groups that form the subcultural groups to communicate effectively with the targeted audience.

Marketers can plan their communication strategies more smoothly for the consumers sharing the same language because expensive and time-consuming translation is unnecessary. However, even in the common language, meanings attached to communicative and non-communicative gestures and symbols may vary from culture to culture, for example the American English is totally different from the British English. Translating language followed by one culture directly to the one used by another can be quite a daunting task for the marketer, making marketing communication difficult. First, some words do not have direct translation. Languages and common meanings of words are constantly evolving. Words mean different things in different contexts. Finally, grammar and pronunciation are complex and a slight misuse of vocabulary may change meanings substantially.

Wrong choice of words is usually a big source of embarrassment. Poor translation may have tragic consequences, as the meaning conveyed may not be the same as the intended meaning. In India, where so many dialects and languages within languages prevail, the appropriate use of Hindi and English will suffice in the north and east of the country making it one distinct subculture; the southern India will form another subculture as the people from the south may not be able to understand the correct meaning of the portions in Hindi.

3. Gender as an Element of Subculture

Consumer orientation and behaviour can differ in both the sexes and again the attitude towards life and orientation towards other factors of life can also have different contexts in both the genders. There can be difference in attitude towards males and females. In China and India, there is a strong preference for males due to two factors—government and economic restrictions on family size and desire to have a son to perpetuate the family name, respectively. The result is the practice of aborting female foetuses and killing of female babies. Even in countries in which women constitute a large proportion of the working population, differentiation still exists in the type of jobs that are regarded as male-only positions and the ones that are regarded as female-only positions. For example, in the US, women fill a higher percentage of administrative and managerial positions than in Japan. The fact is that in all the countries where the prime source of employment is agriculture, people prefer a male progeny for fear that the inheritance of land will move away from the family the moment a girl child is married into another family.

4. Age as an Element of Subculture

It is believed in many cultures that the younger population has a professional advantage, and in many countries like India and Japan, old age and experience are given preference over the brashness of the youth. Both, however, form distinct subcultures for a marketer to devise his marketing communication and business strategy.

5. Family as an Element of a Subculture

In some societies, the family is the most important group membership. In societies where there is low trust outside the family, such as in China and Southern Italy, close-knit family ties shape the behaviour of all its members. Individualism is more predominant in the western world and hence, the members may form opinions and take decision based on many other factors outside the family influence.

6. Occupation as an Element of Subculture

The perception of the consumer may be formed by the kind of job, profession and calling he belongs to. The formation of the subculture can be attributed to the consumer belonging to any given occupation. The consumers' behaviour will accordingly be shaped. For example, university professors may adopt a similar attitude towards life in all countries and doctors may have another set of life style, thus distinctly occupational behaviours can become the basis of the adoption of a subculture.

SUMMARY

- Consumers buy goods and services for personal consumption but, of course, in relation to and subject to his upbringing in a particular social atmosphere.
- The social and demographic profiles of consumers vary greatly in age, income, education, tastes and other demographic and cultural factors.
- The buyer's decision process is not a decision by the individual alone in his cerebral prowess, but it is a combined effort of the buyer and the influencers that persuade the decision-making of the buyer.
- Buyer decision-making is the result of many influencing factors, e.g., social, personal, cultural, and psychological.
- The marketers undertake the study of all these factors and their influencing process in order to understand how effective they are in moulding the decision-making of the consumers.

- The buying habits of consumers get influenced and affected by customs, traditions and practices.
- Buying decisions are also the result of the social influences exerted by the society and its institutions like family, extended family and other social interactive agencies that the individual deals with in his social interaction in his day-to-day life.
- Companies operating in the cross-cultural environment will have to understand their consumers in their cultural ambience before marketing strategies can be developed by them for such consumers.
- Marketers must understand how consumers transform marketing and other marketing communication inputs conveyed by the manufacturers into buying responses. Consumer behaviour is influenced by the buyer's personal, social and cultural characteristics.
- Social values are driven by the customs and traditions set up by individual societies and their institutions.
- Culture outlines the general behaviour of the consumers' living in and as part of the culture. Culture provides with the common acceptable rituals, rules and behaviour patterns that members of that culture must follow.
- The marketer has to keep himself abreast of the cultural values, norms and practices belonging to a particular social class.
- Sub cultural differences refer to the situation where the influences of differences in values of the sub groups within the larger cultures have to be understood and taken care of by the marketing managers.

OBJECTIVE TYPE QUESTIONS

- 1. Which of the following aspects form the main constituents of culture?
 - (a) Ecology or geography
 - (b) Heritage
 - (c) Social fabric
 - (d) All of these
 - (e) None of these
- 2. Which of the following is an element of culture?
 - (a) Cultural values
 - (b) Nation and social stratification systems
 - (c) Performance orientation
 - (d) Language and religion
 - (e) All of these
- 3. Which of the following factor brings about social stratification?
 - (a) Performance orientation
 - (b) Gender orientation
 - (c) Age groups
 - (d) Occupation
 - (e) All of these
- 4. All cultures can be classified based on a number of differences and dimensions; each dimension distinctly separates the nation's cultural character as given out by Hofstede in his four point differentials theory. Which of the following is one of these dimensions?
 - (a) Power distance
 - (b) Individualism

- (c) Uncertainty avoidance
- (d) Masculinity
- (e) All of these
- Consumers' buying decisions and choices of products get influenced by these individual psychological factors
 - (a) Motivation
 - (b) Perception
 - (c) Learning
 - (d) Beliefs and attitudes
 - (e) All of these
- 6. Cultural values are learned and unlearned by an individual from
 - (a) Personal experiences
 - (b) Social interactions
 - (c) Cultural interactions
 - (d) Experiences
 - (e) All of these
- 7. Cultural exclusives refer to the activities that are performed only by
 - (a) Only locals
 - (b) Only foreigners
 - (c) All the people
 - (d) Only expatriates
 - (e) Immigrants
- 8. The aspects of the subculture are
 - (a) Subcultural distinctiveness
 - (b) Subculture homogeneity
 - (c) Subculture exclusion
 - (d) All of these
- 9. State whether the following statements are true or false:
 - (a) Consumers are strongly influenced by political, cultural, social, personal and psychological characteristics of the society that they are part of.
 - (b) References groups are the groups that serve as direct or indirect points of reference in the forming and developing of a person's attitudes or behaviour.

REVIEW QUESTIONS

- 1. Define the terms 'social class' and 'social stratification'. Explain the factors that bring about social stratification.
- 2. Discuss the concept of socio-economic classes in society. How does an economic class influence the buying behaviour of a consumer?
- 3. Define the term 'culture'. Discuss the constituents of culture.
- 4. What is cultural environment? How does it interest a marketer?
- 5. Discuss multicultural marketing. What are the challenges to multicultural marketing?

ACTIVITIES

- 1. Visit the websites of some of the multinational companies on the Internet, to understand the global operations of the companies in different countries. You can discuss the cultures of these countries in your class.
- 2. You can visit the local sales office of a fashion garment manufacturer to understand how the social stratification system helps them in determining their customers' profiles.

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Answers to Objective Type Questions			
2. (e)	3. (e)	4. (e) 5. (e)	
7. (e)	8. (d)	9. (a) True, (b) True	
	2. (e)	2. (e) 3. (e)	2. (e) 3. (e) 4. (e) 5. (e)

CASE

Chandigarh Housing Board — Categorizing Housing Schemes for Consumers

Chandigarh enjoys the status of twin capital of the states of Punjab and Haryana, in addition to being a union territory.

Chandigarh Housing Board (CHB) had been established in 1976 by extension of the Haryana Housing Board Act of 1971. The main business of the board pertains to provide for the basic, decent and adequate housing facilities to the citizens of Chandigarh. The challenge before CHB was to provide affordable and sound housing shelters to the residents who live in Chandigarh.

Chandigarh Administration allots land and plots in Chandigarh to CHB at reserve prices on timely intervals. CHB undertakes the study of the requirements of the general real estate market in the city, and announces various schemes for the sale of built up houses to common public. The schemes are announced through the print media in different newspapers and applications for the sale of the houses are invited from general public. The final allotments of Chandigarh Housing Board new schemes are done through a draw of lots and immediate refunds for unsuccessful applications are made. Even for allotment of house numbers before possession, a general draw is conducted by the CHB Officials.



Various categories of houses built up by Chandigarh Housing Board

FUNCTIONING OF CHANDIGARH HOUSING BOARD

Chandigarh Housing Board scheme focuses on large-scale construction of houses and allotments of the Chandigarh Housing Board new schemes to the various economic sections of the society on hire and purchase basis. CHB pays attention to the designing of the housing complex with all basic infrastructure facilities in meeting the requirements of the economic class for which the housing complex is intended. CHB also constructs various commercial properties including shopping centres, day markets, dairy booths, service booths and covered platforms.

CHB's housing schemes are built around the affordability status of the customers on the basis of income patterns divided into the following income categories:

- ▲ General Housing Schemes are categorized for the higher income group, middle income group and lower income groups of customers.
- ▲ Weaker Sections Housing Scheme for economically weaker sections of the society.
- ▲ Vocational training centre for street children.
- ▲ Schemes for small flats for lower middle income group.
- ▲ Prefab shelters for slum dwellers.
- ▲ One room flats to slum families.

Source: The case study has been prepared on the basis of informations provided on Chandigarh Housing Board website: http://chb.co.in/, accessed on 27 February, 2011.

DISCUSSION QUESTIONS

- 1. Discuss the basis of housing customers' stratification by CHB as enumerated in the case study above.
- 2. Explain the concept of social classes and the importance of such social classes to a marketer.

EXPERIENCE IT

You can conduct and undertake a similar survey of some of the other housing boards in your area to understand the criterion of their categorizing the customers.

Group Influences

LEARNING OBJECTIVES

After reading this chapter, you should be able to

- Understand why we are motivated to buy or use products
- Know why we seek out others who share our interests in products or services
- Explore how the things that other consumers tell us about products (good and bad) often become more influential than the advertising we see, especially those who possess some kind of social power over us
- Understand how online technologies are accelerating the impact of word-of-mouth (WOM) communications and how social networking is changing the way companies and consumers interact

A *reference group* is "an actual or imaginary individual or group conceived of having significant relevance upon an individual's evaluations, aspirations, or behaviour." It influences us in three ways—*informational, utilitarian*, and *value-expressive*. In this chapter, we focus on how other people, whether fellow bikers, co-workers, friends, family, or simply casual acquaintances, influence our purchase decisions. We consider how our group membership shapes our preferences. Finally, we explore why some people affect our product preferences and how marketers go about finding those people and enlisting their support in persuading consumers to jump on the bandwagon.

FACTORS INFLUENCING REFERENCE GROUPS

The degree to which a person or an individual is able to make another person or group do something, regardless of whether it is done voluntarily or involuntarily, confers upon the former some sort of

social power over the latter. Social power is usually classified on the basis of the degree to which the influence is voluntary, and whether this influence will continue to have an effect even when the source of the power diminishes. There are six identifiable social power structures –coercive, legitimate, expert, information, referent and reward power.

- 1. We exert *coercive power* when we influence someone because of social or physical intimidation. A threat is often effective in the short term, but it doesn't tend to stick because we tend to revert back to our original behavior as soon as the bully leaves the scene.
- 2. *Legitimate power* is usually granted upon an institution such as the police, army or law courts by social agreements. The legitimate power a uniform confers, wields authority in consumer contexts including teaching hospitals where medical students put on white coats to enhance their standing with patients.
- 3. *Expert power* is related to power gained through knowledge and skills required in the discharge of duties. For example, no one would want to be treated by a quack or taught by an unqualified teacher. Think about it, would you be happy to buy a consumer behavior textbook written by a firefighter?
- 4. *Information power* is usually wielded by a person who already knows something others would like to know. People with information power are able to influence consumer opinion by virtue of their (assumed) access to the "truth". For example, editors of bridal and fashion magazine, *Bibi* meant for the people of the South Asia) often possess tremendous power because of their ability to compile and disseminate information that can make or break individual designers or companies.
- 5. *Referent power* is more common in the sense that once an individual admires the qualities of another individual or a group, he tries to imitate them by copying their behaviours from choice of clothing, to the kind of leisure activities they engage in. Prominent people in all walks of life can affect our consumption behaviours by virtue of product endorsements (e.g., Katrina Kaif and Pantene), distinctive fashion statements (e.g., Aishwarya Rai Bachchan displaying high-end designer clothing), or championing causes (e.g., Sathay Sai Baba).
- 6. Finally, *Reward power* is the ability to give other people what they want, and hence ask them to do things for you in exchange. For example, students may be asked to attend a community service event in order to receive bonus grades in their consumer behaviour class. Marketers can also tempt you to spend more in order to qualify for a raffle draw entry.

We will return to this subject in our discussion of opinion leaders and celebrity endorsers towards the end of this chapter.

TYPES AND NATURE OF REFERENCE GROUPS

The term *reference group* describes *any* external influence that provides social cues upon which behaviours are modeled. The referent may be a cultural figure who has an impact on many people (e.g., Dalai Lama) or a person or group whose influence only operates in the consumer's immediate environment (e.g., Royal Enfield's biker club). Reference groups that affect consumption can include parents, fellow motorcycle enthusiasts, the Democratic Party, or even the Sri Lankan Cricket team. Obviously, some groups and individuals are more powerful than others and affect a broader range of our consumption decisions. Three broad classifications can be identified in the

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literature – membership versus aspirational groups; positive versus negative reference groups; and normative versus comparative reference groups. These are discussed below.

▲ Membership versus Aspirational Reference Groups

Membership reference group (sometimes also referred to as *associative groups*) consists of people we actually know each other, such as friends and family. They may also be our colleagues at work, or even our classmates. An *aspirational reference group*, however, tends to be more distant consisting of people unknown to us, but still has our admiration. These people are likely to be successful businesspeople, athletes, musicians or even movie stars. Not surprisingly, many marketing efforts that specifically adopt a reference group appeal concentrate on highly visible, widely admired figures (such as Amitabh Bachhan or even Mohamed Yunus of the Grameen Bank) and link these people to brands so that the products they endorse also take on this aspirational quality.

▲ Positive versus Negative Reference Groups

Reference groups impact our buying decisions both positively and negatively. While individuals normally tend to model their behaviour along group expectations, they sometimes also deliberately do the opposite by distancing themselves from what is known as *avoidance or dissociative* groups. A group that a person does not wish to be associated with is a disassociative or negative reference group. The individual does not want to take on the values, attitudes and behaviour of group members¹. For example, rebellious adolescents often resent parental influence and may deliberately do the opposite of what their parents would like, just so that they can claim to make a statement about their independence.

▲ Normative versus Comparative Groups

There are other categorizations of groups – from *normative* to *comparative* (discussed under conformity) to even anti-brand groups. Starting with the latter, on the one hand, the internet has given rise to *anti-brand communities* who may or may not coalesce around a celebrity, store, or brand, but are united by their disapproval for it. On the other hand, *normative influence* simply means that the reference group helps to set and enforce fundamental standards of conduct. For example, our parents may play a pivotal role in forming our values on many important issues, such as attitudes about marriage.

In contrast, a Harley-Davidson club exerts *comparative influence* because it affects members' decisions about specific motorcycle purchases (think again of Royal Enfield motor cycles). Think also of the case of an amateur golfer who idolizes Vijay Singh might strongly identify with *Singha* beer because Singh endorses this beer. Because we tend to compare ourselves to similar others, many promotional strategies include "ordinary" people whose consumption activities provide informational social influence. When it comes to antibrand communities they tend to exert a potent force in their collective antagonism of a common enemy which can either be the rich being targeted by pro-poor groups or even drivers of "supercars" and "gas guzzlers" – i.e. fuel consuming SUVs (sports utility vehicles) that have become the common target of environmental/ green campaigners. These communities also tended to share a support network the means for coping with workplace frustrations as well as a hub for information, activities, and related resources. Recent events on the Arab world now tagged the Arab Spring has also shown how the internet (especially Facebook) can serve to be a major political tool for rallying protests that bring about regime changes – Tunisia and Egypt are key examples where this effort has succeeded up to July 2011.

REFERENCE GROUP AND CONSUMER CONFORMITY

Before discussing conformity, we need to identity certain concepts that help explain the phenomenon. These include concepts such as deindividuation, social loafing and the bandwagon effect. Deindividuation is a process where individual identities become submerged within a group. We all recognize that people in larger groups or those in situations where others are less likely to identify them tend to have fewer restraints on their behaviour. For example, people sometimes behave more wildly when they are in the company of friends than they do normally. Second, social loafing happens when we do not devote as much to task because our contribution is part of a larger group effort. Waiters are painfully aware of social loafing behaviour where people who eat in groups tend to tip less per person than when they are eating alone.² For this reason, many restaurants automatically fix a gratuity percentage for groups of six or more. Even shopping behaviour changes when done in groups. For example, people who shop with at least one other person tend to make more unplanned purchases, buy more, and cover more areas of a store than those who go it alone. Third, the bandwagon effect is a situation where there is the tendency for certain individuals to follow the actions or beliefs of others because they prefer to conform to popular opinion rather than search or question the popular view. In other words, as more people come to believe in something, others also "hop on the bandwagon" regardless of the underlying evidence. Think about this - do all Nerds wear glasses and lack a social life? Are blondes really stupid?

Conformity

Conformity is a change in beliefs or actions as a reaction to real or imagined group pressure. In order for a society to function, its members develop norms, or informal rules that govern behaviour. Without these rules, we would have chaos. Imagine the confusion if a simple norm such as stopping for a red traffic light did not exist.

There are two types of conformity – *compliance* and *acceptance*. Compliance tends to occur when an individual goes along with the behaviour of the group without actually accepting its beliefs. For example, someone who is not a cricket lover might decide to attend a cricket game because his friends have asked him. Think of a typical cricket fan who suddenly becomes interested in football out of the need to belong (see Exhibit 9.1). Acceptance happens in a situation when the individual not only adapts behaviour, but also aligns this with that of the group. For example, our cricket rookie might actually enjoy the game after accompanying friends to a rather exciting game, and consequently becomes a convert of the sport. Overall conformity can be considered as the behaviour one adopts by observing others when confronted with the membership of a new group (of friends). In other words, it is most likely to occur when the costs of confirming are outweighed by the benefits such as self-esteem, acceptance by an aspirational group, companionship, etc.³

Exhibit 9.1

SRI LANKAN FOOTBALL REMAINS THE 'GAME OF THE PEOPLE'

It is a cliché to say people from the South Asian subcontinent are crazy about cricket. But it is true to say they have few alternatives. The sport is all-encompassing in the region, as much pop culture as pastime. It consumes everything else in what has been described as a sporting monoculture – something that prompts fans into conformance – love of Cricket above all other sports! The facts are clear — cricket has given each of Sri Lanka, Pakistan and India the chance to call themselves world champions. These countries are consistently among the top five or six nations who play the game. No other sport offers their people that degree of national self-esteem. According to Arjuna Ranatunga, Sri Lanka's 1996 World Cup-winning captain "I believe winning the World Cup was the best thing that had happened to our country ...It internationally increased the profile of the country, earned us recognition and respect and gave a huge boost to the sport at the domestic level."

Rugby

But if cricket's bat and ball do not stir your soul, what other options are there? Through the back door of the offices of the Sri Lankan Rugby Football Union (RFU) is a field which graphically represents the prevailing attitude to other sports in a country which seems to be firmly in the grip of cricket. It feels like a place where games go to die, or where sporting *non-conformists* are sent to be 'cleansed of their sins' for not obsessing over cricket. The field is lined on one side by a vast wooden stand, which has been left derelict since the horse-racing track it was built to service was decommissioned. In the bowels of the stand is the headquarters of the national Carrom Federation of Sri Lanka. The board game is a popular pastime in many areas of Asia, especially Sri Lanka. An athletics track is marked out in chalk on the patchy grass field, with a set of football goalposts, with ragged nets, at either end of the pitch. Yet of all the sports catered for, the sizeable groups of young men charging around the field have opted to play rugby. Sri Lanka's national rugby team are ranked 42nd in the world. As Rohan Gunaratne, the executive director of the Sri Lanka. Now cricket is on the TV, which wasn't the case earlier [...] Because of that, cricket has reached the rural areas and everyone knows about it...."

Going by IRB statistics, Sri Lanka has 87,602 registered male rugby players, and 15,723 women. In terms of participation, rugby trails football in Sri Lanka, but organized like cricket. The largest domestic sporting events on the island are the annual 'Big Matches' between traditional rival schools, in both cricket and rugby. The *Bradby Shield*, a two-legged rugby fixture played between Royal College and Trinity, regularly attracts 15,000 spectators. According to Fred Perera, a neurosurgeon, who is in charge of rugby at Royal College, one of the leading rugby-playing schools in Colombo, "*The love for rugby here is a residue of British sporting culture*." At first, it was played by expatriates, the planters, traders and executives, and clubs were whites-only for a long time. Remnants of the old school tie remain most visible in cricket. Numerous sports fields can be found in the area around the *Cinnamon Gardens* suburb of Colombo, including the headquarters of Sri Lanka Cricket. At the Royal College, the rugby pitch and cricket field are separated by a narrow road. Young cricketers awaiting their turn to bowl at nets are dressed in spotless, crisply pressed, mum-fresh cricket whites. The players would be no more neatly dressed if it were Harrow or Eton.

Football

Football remains the 'game of the people', according to Chrysantha Perera, the chief executive of the Football Federation for Sri Lanka. On *Galle Face Green*, people play football where you might otherwise expect to see cricket. Rugby is played in seven of the nine provinces of Sri Lanka.

Where Rugby is absent, in the north and east, areas which were ravaged by civil war, football has survived. "Football is played all over Sri Lanka, partly because all you need is a ball and no expensive equipment, like in cricket." What Sri Lankan football lacks are local heroes. Whereas cricket's top stars, such as Lasith Malinga and Tillekaratne Dilshan, as well as Indians like MS Dhoni, are universally known, few people would be able to name a Sri Lankan national football player. The national team currently sit 161st in the FIFA rankings, level on points with Nicaragua, having reached a high of 122nd in 1998. Just as cricket's popularity exploded, thanks to the spread of cable television, so football is now experiencing a boom in South Asia. If aspiring players here are deprived first-hand experience of quality football, they can at least watch big named European football on their TV. The idea of having role models is not really the same in football in Sri Lanka. It is not the same as in cricket, but we are trying to promote it now. They see players also.

Source: Radley, P. (2011), 'Why cricket's grip is so strong in the subcontinent', *The National Newspaper*, 5 March, Online at: http://www.thenational.ae/sport/cricket/why-crickets-grip-is-so-strong-in-the-subcontinent, accessed on March 12, 2011

We conform in many small ways every day, even though we may not always realize it. Unspoken rules govern many aspects of consumption. In addition to norms regarding appropriate use of clothing and other personal items, we conform to rules that include gift-giving (we expect birthday presents from loved ones and get upset if they do not materialize), sex roles (men often pick up the check on a first date), and personal hygiene (our friends expect us to shower regularly).

We don't usually have much choice but to conform to certain societal norms and/ or expectations as a result of five main reasons—cultural pressure, fear of deviance, commitment, group unanimity, and susceptibility to influence. These are discussed below.

- 1. *Cultural pressures*: Different cultures encourage conformity to a greater or lesser degree. What would you normally wear to a job interview? My guess is a suit. But why? Could this be a matter of choice or as a result of pressures to conform?
- 2. *Fear of deviance*. The individual may have reason to believe that the group will apply *sanctions* to punish nonconforming behaviours. It is not unusual to observe adolescents shunning a peer who is "different" or a corporation or university passing over a person for promotion because he is not a "team player".
- 3. *Commitment*. The more people are dedicated to a group and value their membership in it, the more motivated they are to do what the group wants.
- 4. *Group unanimity, size, and expertise.* As groups gain in power, compliance increases. It is often harder to resist the demands of a large number of people compared to just a few does the Arab Spring ring any bells here?
- 5. *Susceptibility to interpersonal influence*. This trait refers to an individual's need to have others think highly of him.

Brand Communities and Consumer Tribes

Unlike antibrand communities, a *brand community* is a group of consumers who share a set of social relationships based upon usage or interest in a product. Unlike other kinds of communities, these members typically do not live near each other except when they may meet for brief periods at organized events or *brandfests* that community-oriented companies such as Harley-Davidson sponsor.

These events help owners to "bond" with fellow enthusiasts and strengthen their identification with the product as well as with others they meet who share their passion. Researchers find that people who participate in these events feel more positive about the products as a result and this enhances brand loyalty. They are more forgiving than others of product failures or lapses in service quality, and less likely to switch brands even if they learn that competing products are as good as or better. Furthermore, these community members become emotionally involved in the company's welfare, and they often serve as brand ambassadors by carrying its marketing message to others.

The notion of a *consumer tribe* is similar to a brand community; it is a group of people who share a lifestyle and who can identify with each other because of a shared allegiance to an activity or a product. Although these tribes are often unstable and short-lived, at least for a time members identify with others through shared emotions, moral beliefs, styles of life, and, of course, the products they jointly consume as part of their tribal affiliation.

BENEFITS OF REFERENCE GROUP APPEALS

There are numerous benefits of reference groups, especially to marketers. While the list may not be exhaustive, three broad categorizations are worth highlighting here: (i) better communications (including especially word-of-mouth); (ii) increased brand awareness (especially as a result of social networking and virtual communities); and (iii) reduction of perceived risk (see Chapter 7) in the consumption undertaken by individuals (also impacted upon by group membership, e.g. virtual communities). Note that only the subcategories (i.e. those in brackets) are discussed in detail here.

Word-of-Mouth Communications

Word-of-mouth (WOM) is product information individuals transmit to other individuals. Because we get the word from the people we know, WOM tends to be more reliable and trustworthy than messages from more formal marketing channels. And unlike advertising, WOM often comes with social pressure to conform to these recommendations. As far back as the 1950s, communications theorists challenged the assumption that advertising primarily determines what we buy. As a rule, advertising is more effective when it reinforces our existing product preferences than when it tries to create new ones. Studies in both industrial and consumer purchase settings underscore the idea that, although information from impersonal sources is important to create brand awareness, consumers rely on word-of-mouth in the later stages of evaluation and adoption.⁴ Quite simply, the more positive information consumers get about a product from peers, the more likely they will be to adopt the product.

The influence of others' opinions is at times even more powerful than our own perceptions. In one study of furniture choices, consumers' estimates of how much their friends would like the furniture was a better predictor of purchase than what they thought of it. WOM is especially powerful when the consumer is relatively unfamiliar with the product category. We would expect such a situation in the case of new products (e.g., medications to prevent hair loss) or those that are technologically complex (e.g., CD players). One way to reduce uncertainty about the wisdom of a purchase is to talk about it. Talking gives the consumer an opportunity to generate more supporting arguments for the purchase and to garner support for this decision from others.

Exhibit 9.2

YOUTUBE BANKS ON BOLLYWOOD, CRICKET FOR INDIA

YouTube, the Google-owned video-sharing website, is banking on Bollywood and Cricket to make its mark in the Indian market, looking at tie-ups with major studios to expand its movie library. YouTube, which launched in India in 2008, says there is a huge market for Bollywood and cricket content not just in India, but in markets which have not been explored earlier, a trend it is hoping to cash in on. According to Gautam Anand, Director, Content Partnerships, Asia Pacific for Google, for most Bollywood producers, distribution in non-traditional markets is a problem and then the only choice left for people in those markets is piracy. YouTube currently has 17.3 million unique visitors in India, where it also has the most premium partner views after the US. India is adding rapidly more broadband connections, with the country's Telecom Regulatory Authority of India recommending that the government should fix a target of 75 million broadband connections by 2012 and 160 million by 2014 — up from 10.3 million broadband connections at the end of September 2010. Anand said his company is also making sure that all the content available on PCs is also available on mobile devices as well, something he considers to be crucial in a country that has around 700 million mobile users. According to him, Google is simply "legitimizing views by monetizing it."

One of Bollywood's biggest hits from 2010, 'Dabangg,' attracted more than a million hits in less than a week when it was screened for free viewing on YouTube, which currently has around 400 titles in its library and deals with major Indian studios such as UTV Motion Pictures, Eros International, Yashraj Films and Rajshri for content sharing.

There are advantages for Bollywood to a greater tie-up as it looks to expand to markets other than its traditional strongholds, which would enable it to rely less on declining theatrical revenues. Last year, Viacom 18 Motion Pictures, a Viacom 18 company, released its small budget film 'Striker' on YouTube, a day after it released theatrically, making it available for paid viewing in countries outside India. Four out of India's five main entertainment channels are also on board, uploading 'catch-up programming' on their prime-time band within 24 hours of the original telecast. Bollywood is not the only entertainment drawing attention, with cricket taking aim at viewers as well. In 2010, YouTube streamed a domestic cricket tournament live to more than 250 countries, and found that hits reached 55 million. They are also cashing in on the ongoing cricket World Cup in Bangladesh, India and Sri Lanka, with highlights packages and short clips from the games provided by broadcaster ESPN Star, which is live streaming the tournament on its own site. Anand proudly declares that *you would see us grow a lot more in the sports areas*. For you to do a lot of sports, you need a robust live platform, and that is something we will hopefully get to soon.

Source: Shilpa Jamkhandikar (Thursday 24 February 2011), Online at: http://uk.news.yahoo.com/22/20110224/r_t_rts_tc_ other/ttc-oukin-uk-india-youtube-fe50bdd_1.html?printer=1, accessed on March 5, 2011

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Negative WOM and the Power of Rumors

It is already well established that consumers tend to weigh *negative word-of-mouth* more heavily than they do positive comments. According to a study on Egg card,⁵ an online banking credit card company, which "sacked" its customers in 2008 on the grounds of these customers' 'failure' to generate expected returns for the company, led to the spread of rumors and negative WOM. This was to the extent that the company ignored the fact that 'dissatisfied customers tell others'. Indeed in a 2008, BBC survey entitled "Egg's 'risky' customers answer back", many affected customers accused the company of ridding them for failing to generate "acceptable" profits for the company.⁶

As Doyle (2002) argued "on average they tell 14 others. So if losing a single customer represents the loss of an asset with a lifetime value of say £10,000, this might be only the tip of the iceberg as the total value lost might be 14 times as great."⁷

Arguably such negative WOM has been shown to be capable of reducing the credibility of a firm's influences on consumers' attitudes towards the product as well as their intention to either buy it or recommend it to friends and family. Sociologists developed what they described as a *protest-framing theory* that provides an understanding of how people define a social situation to others in order to influence their behaviour. Three basic sub-frames, or themes that have been identified include:⁸

- ▲ *Injustice:* Consumer protestors frequently talk about their repeated attempts to contact the company only to be ignored.
- ▲ *Identity:* Posters characterize the violator (often top management) as evil, rather than simply wrong.
- ▲ Agency: Individual website creators try to create a collective identity for those who share their anger with a company. They evoke themes of crusade and heroism to rally others to believe that they have the power to change the *status quo* in which companies can wrong consumers without retribution.

A rumor can be very dangerous, especially when it is false. Not too long ago Coca Cola had to fight off allegations of alcohol being part of its long protected secret formula. More recently there have been rumors that the global search engine Google in its new privacy policies which commenced 1 March, 2012, was using our private details for commercial gains without either getting our consent or telling us exactly what information it was sharing and with whom.

Virtual Communities

A virtual community of consumption is a collection of people who interact online to share their enthusiasm for and knowledge about a specific consumption activity. Like the brand communities found in numerous social networking sites such as Facebook, MySpace and Twitter, these groups form around common love for a product – whether music, fashion or concerts. However, members remain anonymous because they only interact with each other in cyberspace. How do people get drawn into consumption communities? Internet users tend to progress from *asocial* information gathering ("lurkers" are surfers who like to watch but do not participate) to increasingly *affiliative* social activities. At first, they will merely browse the site, but later on they may well be drawn into active participation. The intensity of identification with a virtual community depends on two factors. The first is that the more central the activity is to a person's self-concept, the more likely he will actively participate in a community. The second is that the intensity of the social relationships

the person forms with other members of the virtual community helps to determine the extent of involvement. As Figure 9.1 shows, combining these two factors creates four distinct member types:

- 1. Tourists lack strong social ties to the group, and maintain only a passing interest in the activity.
- 2. *Minglers* maintain strong social ties, but are not very interested in the central consumption activity.
- 3. Devotees express strong interest in the activity, but have few social attachments to the group.
- 4. Insiders exhibit both strong social ties and strong interest in the activity.

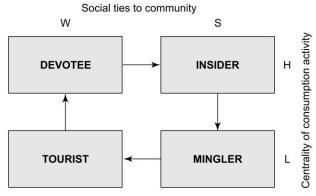


FIGURE 9.1 Virtual Communities

Devotees and insiders are the most important targets for marketers who wish to leverage communities for promotional purposes (note that these are the heavy users of virtual communities). By reinforcing usage, the community may upgrade tourists and minglers to insiders and devotees.⁹ In recent years a technique, called *netnography* which adapts ethnographic techniques anthropologists use to study populations when they "live with the natives" to virtual communities, has been introduced into the literature.

GROUP INFLUENCES IN REAL-WORLD MARKETING

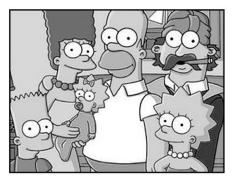
Marketers seem to have mastered the art of using reference groups to reach their target customers. Two main kinds of reference groups that exert social power are celebrity endorsers and opinion leaders. Before we consider these two key factors, however, it is worth highlighting two relatively recent market phenomena – guerilla and viral marketing. On the one hand, *guerrilla marketing* is a type of grass-roots effort in which promotional strategies involve the use of unconventional locations and intensive word-of-mouth campaigns to push products. These campaigns often recruit legions of real consumers who agree to engage in some kind of street theater or other activity in order to convince others to use the product or service. *Viral marketing*, on the other hand, refers to the strategy of getting visitors to a Web site to forward information on the site to their friends in order to make still more consumers aware of the product—usually by creating online content that is entertaining or just plain weird. Consider the recent case of the *Cigar Guy* at the 2010 Ryder Cup Golf tournament (see Exhibit 9.3).

Exhibit 9.3

THE 'CIGAR GUY' – INSTANT INTERNET HIT

It all started with an extraordinary photograph captured by *The Mail on Sunday's* Mark Pain, showing as Tiger Woods fluffed a chip at the 2010 Ryder Cup. Described as an "arresting element to the image" was a wide-eyed spectator smoking a fat cigar and wearing a Groucho Marx moustache and ginger wig — standing behind Woods. Nicknamed 'Cigar Guy', he became an overnight Internet phenomenon after the picture appeared in *The Mail on Sunday* and *MailOnline* in April 2010. The following day, the *Cigar Guy* was alerted to the picture by a friend who saw it in *The Mail on Sunday*. 'I got up and looked at it online, thought it was a bit funny – and then went back to bed.' Over the next few days, the *Cigar Guy* phenomenon took off in earnest on the Internet. Millions were obsessed with the moustachioed mystery man. His smiling face was pasted into the backdrop of countless historic photographs which then buzzed around the Internet. He even acquired his own fan club and received marriage proposals *delivered via Facebook*.

As the heat gathered momentum, a reward was offered to anyone who could unmask him. With the story making headlines around the world — it was covered by big media players such as the Wall Street Journal and Time magazine – one question was being asked with growing frequency — just who is *Cigar Guy*? It took an agonizing six months later in October 2010, for *The Mail on Sunday* tracked down *Cigar Guy* — golf fan *Rupesh Shingadia*, a 30-year-old investment analyst *at Threadneedle Asset Management* in the City (London) to a detached house in South London where he lived with his parents (a retired mechanic and a housewife).



Looking drawn: Cigar Guy joins The Simpsons – Rupesh's favourite of all the images on the Internet

Source: Gallagher, I., and Whelan, A. (11 October 2010), Cigar guy unmasked: Global phenomenon is a (rather embarrassed) City analyst who lives at home with his mum and dad. The Mail on Sunday. Online at: http://www.dailymail.co.uk/news/article-1319177/Cigar-guy-revealed-Global-phenomenon-Rupesh-Shingadia.html, accessed on 2 January 2011.

Celebrity Endorsement

A celebrity endorser is defined as any individual who enjoys public recognition and who uses this recognition on behalf of consumer goods by appearing with it in an advertisement. For example, Tiger Woods was once the face of Nike, to the extent that he prompted Nike into going

into the Golf market. The professional expert endorser is characterized as an individual "possessing superior knowledge regarding the product class endorsed" while the typical consumer is circumscribed as an ordinary person without special knowledge about the product class endorsed. Celebrity endorsers could strengthen the communication message and are a direct determinant of the brand image or brand personality. Therefore, the arrangement of the celebrity should be carefully considered in the planning process of the communication and the brand-equity management. Clear objectives ought to be determined in order to observe the effectiveness of the endorsement deal. Besides the economic objectives of advertisement (e.g. increased total revenue or market share), there exist several psychological objectives, namely—an increased awareness of the brand/ product name, a more differentiated knowledge of brand/product characteristics by consumers, enhanced attitude towards the advertisement, towards the brand and, above all, increased purchase intentions.

Opinion Leadership

Although the concept of opinion leaders, i.e. any individual who is frequently capable of influencing the attitudes and/ or behaviors of other individuals or groups, is discussed extensively in chapter 10, it is worth pointing some key features here. In general, opinion leaders have been known to always be among the first to try out new products, so they are often prone to the consequences of the absorption of the risk associated with such activities. Such risk-absorption tends to reduce the uncertainty for many others who may not be as adventurous, especially when it comes to parting with their money or putting themselves in harm's way. From a marketing perspective, for example, when a company-sponsored communication focuses exclusively on the positive aspects of a product, the hands-on experience of opinion leaders tends to provide the much needed reassurance of consumers. Such independent opinions tend to be more believable and hence credible as these individuals have nothing to benefit in return for the expression of their opinions. Consider what or how you would feel if you were the only one in your class without a Blackberry smart phone or better still, without a consumer behaviour textbook? You just might be feeling a bit of a social outcast and would try anything within your power to ameliorate the situation in order to fit in with your peers. That is the power of group influence at play. You can either beat them or join them as the saying goes. From our discussions thus far, marketers obviously understand the power of such group influences and how the opinions of others affect us.

This may come as a surprise, but opinion leaders may or may not be purchasers of the products and/ or services they recommend to others. A brief description of opinion leaders has been captured many years ago by Baumgarten¹⁰ who considered these individuals to be:

- 1. socially active;
- 2. appearance conscious (i.e. quite fond of themselves and self-centered);
- 3. intense magazine readers; and
- 4. likely to own more clothing, and a broader range of styles, than other students.

Moreover opinion leaders tend to also be *opinion seekers* in the sense that they are generally more involved (see coverage of *product involvement* in Chapter 5) in a product category and actively search for information. Consequently opinion leaders are usually more likely to talk about products with others and to solicit others' opinions as well – which can be done using blogs or other social media platforms. Contrary to the static view of opinion leadership, most product-related

conversation does not take place in a "lecture" format in which one person does all of the talking. A lot of product-related conversation occurs in the context of a casual interaction rather than as formal instruction. One study, which found that opinion seeking is especially high for food products, revealed that two-thirds of opinion seekers also view themselves as opinion leaders. See Exhibit 9.4 for an illustration of how marketers have recruited opinion leaders for their marketing campaigns.

As a consequence of the difficulties involved in identifying specific opinion leaders in a large marketplace or market space, most attempts to do so focus instead on exploratory studies. Researchers aim to identify the profile of a representative opinion leader and then generalize these insights to a larger market. For example, one company that went looking for financial opinion leaders found that these consumers were more likely to be involved in managing their own finances and tended to use a computer to do so. They were also more likely to follow their investments on a daily basis and to read books and watch television shows devoted to financial matters. The most commonly used technique to identify opinion leaders is simply to ask individual consumers whether they consider themselves to be one. Although respondents who report a greater degree of interest in a product category are more likely to be opinion leaders, we must view the results with some caution as most *self-designated opinion leaders* may not quite be. This is because certain individuals or groups tend to consciously or unconsciously inflate their own importance and influence, whereas others who really are influential might either be oblivious or perhaps too humble to admit.

Exhibit 9.4

SAY CHEERS TO YOUR LEADERS

Companies that want to connect with teens are mysteriously turning up on the cheerleading circuit. They recognize that cheerleaders often are among the most popular kids in high school, and they are able to influence their classmates' opinions about which personal care products or beverages are the coolest. That is why makeup artists affiliated with P&G's CoverGirl line of cosmetics show up at cheerleading clinics to offer makeup tips to some of the 350,000 people per year who attend these training sessions. PepsiCo promotes its Propel by holding workshops at cheerleader events to teach teens about nutrition and the value of drinking water. Because opinion leaders are so central to consumer decision-making, it is not surprising that marketers at P&G and Pepsi work hard to identify the influential people in a product category. In fact, many of their ads are intended to reach these influentials rather than the average consumer, especially if the ads contain a lot of technical information. For example, CBS sent a CD-ROM to 10,000 critics, affiliates, advertising agencies, and others it identified as "influencers" in order to plug the network's prime-time shows. Unfortunately, because most opinion leaders are everyday consumers and are not formally included in marketing efforts, they are harder to find. A celebrity or an influential industry executive is by definition easy to locate. That person has national or at least regional visibility or is listed in published directories. In contrast, opinion leaders tend to operate at the local level and may influence five to ten consumers rather than an entire market segment.

Sources: Steinberg, B. "Gimme an Ad! Brands Lure Cheerleaders, Marketers Try to Rally Influential Teen Girls Behind New Products," *Wall Street Journal* (April 19, 2007): B4; "CBS Extends Its High-Tech Reach: CD-ROM Goes to 'Influencers'", *PROMO: The International Magazine for Promotion Marketing* (October 1994): 59.

SUMMARY

- The things that other consumers tell us about products (good and bad) are often more influential than the advertising we see.
- Social networking is changing the way companies and consumers interact.
- Certain people are particularly likely to influence others' product choices.
- We belong to or admire many different groups and a desire for them to accept us often drives our purchase decisions. Individuals or groups whose opinions or behaviours are particularly important to consumers are reference groups. Both formal and informal groups influence the individual's purchase decisions, although such factors as the conspicuousness of the product and the relevance of the reference group for a particular purchase determine how influential the reference group is.
- Individuals have influence in a group to the extent that they possess social power; types of social power include information power, referent power, legitimate power, expert power, reward power, and coercive power.
- Opinion leaders who are knowledgeable about a product and whose opinions are highly regarded tend to influence others' choices. Specific opinion leaders are somewhat hard to identify, but marketers who know their general characteristics can try to target them in their media and promotional strategies.
- Much of what we know about products we learn through word-of-mouth (WOM) communication rather than formal advertising. We tend to exchange product-related information in casual conversations.
- Guerrilla marketing strategies try to accelerate the WOM process by enlisting consumers to help spread the word.
- Viral marketing techniques enlist individuals to tout products, services, Web sites, and so on to others on behalf of companies. A new mode of online communication called blogging allows consumers to easily post their thoughts about products for others to see.
- Although WOM often is helpful for making consumers aware of products, it can also hurt companies when damaging product rumours or negative WOM occurs.
- Virtual consumption communities are composed of people who are united by a common bond—enthusiasm about or knowledge of a specific product or service. Emerging marketing strategies try to leverage the potential of the Web to spread information from consumer to consumer extremely quickly.
- Brand communities unite consumers who share a common passion for a product. Brandfests, when companies organize to encourage this kind of community, can build brand loyalty and reinforce group membership.

OBJECTIVE TYPE QUESTIONS

- 1. A reference group that consists of people the consumer actually knows is called a(n) _____ reference group.
 - (a) Aspirational
 - (b) Allegiance
 - (c) Connected
 - (d) Membership

Group Influences 2

- 2. Informal rules that govern the behaviour of members in a group are called
 - (a) Procedures
 - (b) Policies
 - (c) Norms
 - (d) Rules
- 3. Which of the following is not a factor that affects the likelihood of conformity?
 - (a) Education
 - (b) Cultural pressures
 - (c) Commitment
 - (d) Fear of deviance
- 4. Which of the following is not an example of a virtual community?
 - (a) Domain name
 - (b) Multi-user dungeons
 - (c) Chat rooms
 - (d) Discussion boards
- 5. Reference groups influence consumers in three ways: informational, utilitarian, and
 - (a) Intentional
 - (b) Value-expressive
 - (c) Personal
 - (d) Interpersonal
- 6. State whether the following statements are True or False:
 - (a) If a person has *social power*, he has the ability to alter the actions of others.
 - (b) Groups maintain standards of conduct through normative influence.
 - (c) When shopping with others, some people are more likely to choose risky alternatives. This behaviour occurs due to the *risky shift*.
 - (d) The universe of active weblogs is called the *blogosphere*.
 - (e) Opinion leaders often absorb much of the risk in buying new products because they generally buy them first.
 - (f) The most common method of identifying opinion leaders is to use the social registry document that is kept by most city newspapers.

REVIEW QUESTIONS

- 1. Define conformity and give three examples of it. Name three reasons why people conform.
- 2. Using real examples, compare and contrast viral marketing and guerrilla marketing.
- 3. Who is an opinion leader? Give three reasons why they are powerful influences on consumers' opinions.
- 4. Why is word-of-mouth more powerful than advertising?
- 5. Distinguish between a membership and an aspirational reference group and give an example of each kind.

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ACTIVITIES

- 1. What characteristics of opinion leaders make them valuable sources for product information?
- 2. In groups of between 3-4, discuss the *six* bases of social power within reference groups. Discuss some of the likely strategies that would be used by an individual or group possessing each type of power. Do not forget to use your group as an illustration.

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Answers to Objective Type Questions

1. (d) 2. (c) 3. (a) 4. (a) 5. (b)

6. (a) True, (b) True, (c) True, (d) True, (e) True, (f) False

CASE

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Sri Lanka's Big National Push Towards a Connected Society

Sri Lanka sets out on recovery path after years of war—big national push towards a connected, online society. The South Asian state appears to have embraced a new energy and focus, following the end of long-running civil war that came with the defeat of the Tamil Tigers in 2009. The already modern progressive telecommunications sector is certainly high on the list of priorities for further expansion and development. This fits well the national agenda to work at strengthening the economy and general well-being of the country. A good start has been made on expansion and provision of infrastructure that is capable of providing a sophisticated level of telecommunications service to the population throughout the country. Nevertheless, much still needs to be done to complete the build-out of the necessary national infrastructure. Extending infrastructure into the North and Eastern provinces, those parts of the country most affected by the long-running war, is being given high priority.

It is well recognized that the growth and development of the telecom sector is necessary to provide, among other things, an impetus for national economic activity. Sri Lanka is characterized by high levels of literacy (93%), life expectancy (74 years) and infant mortality that are comparable to those of developed countries. The country is also working towards increasing the availability and speed of Internet access, in order to support e-commerce and other services that play an important role in global commercial activity. Fixed-line teledensity had reached 17% by 2010 (see Table 9.1). In 2006, teledensity stood at a comparatively lower figure of less than 6%. But within 24 months, by early 2008, the number of fixed lines had more than doubled to around 2.7 million (or a penetration of around 13%). By end-2008, it was estimated to have reached 3.5 million (17%). But since then, growth has flattened out. The recent boost to the numbers was aided by the widespread application of the Wireless Local Loop (WLL) platform to support the fixed-line rollout.

Fixed-voice penetration still needs to be increased, however, especially when it is recognized that there is a large concentration of these services in the capital Colombo, with a penetration of 35%. The lower penetration levels outside the capital have continued to be more a result of acute supply constraints rather than a lack of demand for services. Sri Lanka's below average teledensity compared with countries with comparable per capita GDP was seen as an indication of the growth prospects in the industry. Historically, the country has experienced periods of slowing capital investment as its war-battered economy attempted to regain momentum.

Category	2009	2010 (e)
Fixed-line services:		
Total number of subscribers	3.44 million	3.65 million
Annual growth	0%	6%
Fixed-line penetration (population)	17%	17%
Internet:		
Total number of subscribers	250,000	275,000
Annual growth	1%	10%
Internet subscriber penetration (population)	1.3%	1.4%
Mobile services:		
Total number of subscribers	14.1 million	17.0 million
Annual growth	27%	21%
Mobile penetration (population)	70%	83%

 TABLE 9.1
 Sri Lanka – Key Telecom Parameters (2009/2010)

In the meantime, the country's mobile telephone services have continued on a strong growth path. By offering an effective and efficient alternative to the fixed-line networks, with their chronic problems in meeting the general demand for telephone services, the mobile phone quickly became an essential service. By early 2009, the Sri Lankan mobile market was still growing at an annual rate of almost 40% as it passed the 60% penetration mark. However, over the 2009/2010 period, subscriber growth had moderated to 20%–30%. A positive growth pattern looked set to continue as the country's four competing mobile operators – Mobitel, Tigo (Celltel Lanka), Hutchison Lanka and Dialog Telekom (MTN) – battled for market share and position. These four had been joined by a fifth operator in 2009, when Bharti Airtel Lanka launched its GSM service, adding to the competition in the marketplace. The development of the Internet remains a particular concern for Sri Lanka. In a country whose population is increasingly Internet savvy, the estimated user penetration stood at around 9% by late 2010.

Despite signs of an enthusiastic user market, coverage and accessibility remained limited and the sophistication of the available services remained generally low. By mid-2010, it was estimated that there were only around 200,000 broadband Internet subscribers in this country of 20 million people. A promising step towards wider adoption of the Internet was the creation by the government in March 2010 of the National Broadband Consultative Committee (NBCC).

Sources: Internet World Stats online at: http://www.Internetworldstats.com/asia/lk.htm Additional reports from: http://www.budde.com.au/Research/Sri-Lanka-Key-Statistics-Telecom-Market-Overview-and-Forecasts.html: Adapted from: *http://www.budde.com.au/Research/Sri-Lanka-Telecoms-Mobile-Broadband-and-Forecasts. html?r=51*.

DISCUSSION QUESTIONS

 Sri Lanka's mobile market had reached over 16 million subscribers by late 2010, for a mobile penetration of around 70%, meaning that the number of mobile subscribers had increased tenfold in just six years. What, in your view, might have brought about this fast-paced trend? The **McGraw**·Hill Companies

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- 2. A fifth mobile operator, Bharti Airtel Lanka, launched its network/service in 2009, further increasing the level of competition in the market. Discuss the importance of opinion leadership in the launch of new mobile operators.
- 3. Fixed broadband penetration (as a percentage of population) in Sri Lanka was still below 2% in 2010, prompting the government to establish the NBCC in March 2010. What other advice could you provide the NBCC in order to enable it to reverse this trend?

Process of Consumer Decision-making

1()

LEARNING OBJECTIVES

After reading this chapter, you should be able to

- Understand the concept and meaning of consumer decision-making and buying motives and buying roles in it
- Become familiar with the types of decisions made by the consumers, decision-making models of consumer behaviour and consumer decision-making in households
- Know the concept and process of innovation and diffusion process
- Understand the concept of adoption, models of adoption and opinion leaders and their implication in marketing

Decision-making is the process of identifying problems and opportunities and resolving them for a win-win situation. We all have to make many decisions in our day-to-day life. Some of the decisions that we make are easy to reach because these are programmed decisions. Programmed decisions are those decisions which are taken by us on the basis of our having frequently been exposed to pre-experienced situations against which decision rules and systems have already been developed by us and many such decisions have been taken by us before as a corollary to the rules programmed by our mindset and cerebral logistical thinking power for application to future problem situations. The problem arises when we have to take decisions for unprecedented unique situations. These decisions are known as the non-programmed decisions, as we have probably never faced similar situations in our life before and we may have to undergo some kind of dissonance and turmoil within ourselves to eventually reach a position where we may have to select the best out of the many

probabilities available to us. Each decision-making is a calculated risk of economic and emotional in nature. Every decision-making involves:

- ▲ **Certainty:** When all the information that the decision-maker needs to know about the outcome of the decision-making is fully available.
- ▲ **Risk:** Risk is reduced when a decision has clear-cut goals. Risk is further reduced when the required information is available. Risks are greater when the objectives associated with each alternative are subject to chance.
- ▲ Uncertainty: When the objectives are clear but the information available about alternatives and future events is incomplete.
- ▲ **Ambiguity:** Neither the objectives are clear nor is there any complete information available. Alternatives available are difficult to define.

CONSUMER DECISION-MAKING

When a consumer is involved in the decision-making of making a choice of buying or not buying a product from out of various choices available to him, it is called consumer decision-making. Many a time, the decision-maker involved may not be buying the product for self consumption, but could be taking a decision for his family members or even the institutions or organizations. The process in each situation will involve gathering the necessary information to avoid uncertainty and ambiguity so that risk taking is reduced to the minimum and certainty can help the decision reached create lesser dissonance later on in the consumer's mind. In the case of purchases being made for the self or even for the family, certain emotions may affect the decision in addition to other considerations such as the economics of buying and the satisfaction of the social norms, etc. In this chapter, we analyse the process of consumer buying in detail to understand as to how the process of consumer decision-making can help the marketer look into the rational and emotional process of the consumer mind to plan out his marketing and consumer communication strategies.

How do Customers Decide to Buy?

It is often said that the sales are completed in the mind of the consumers and not across the counters. This is so because the consumer's decision-making process has been identified as the analytical activity in which people gather and assimilate information about the product. They assess and evaluate the information so gathered by them. Based on the evaluation done by them, they decide to buy from among the choice of different goods, services, companies and firms, brands, places, people and their ideas. The consumer's decision to buy is an intellectual and interactive process within itself and an interaction with the factors that affect the process of consumer buying. The consumer decision-making process consists of many stages and is not necessarily an instant reaction, every time a consumer buys something. The consumer's decision-making gets affected by factors ranging from the demographic and social factors, to the psychological characteristics of his own personality. Researchers have found that the process of consumer buying is a step-by-step decision-making process. Researchers have been trying to identify and analyse the intellectual functioning of the consumer buying or /and his rejecting some other products and not buying them.

Exhibit 10.1

CONSUMER DECISION-MAKING AT A RETAIL STORE

In a showroom of Raymond's selling ready to wear men's clothing, the salesman has been demonstrating all kinds of shirts and trousers to the young man for the last one hour. The youngman would pick up the pair of clothes and get into the trial room to try them on. Each time he had put on a different dress, he would look at his companions for approval. His companions would make the young man exhibit the dress like a model and then they would simply nod in disapproval, thereby discarding the dress worn by the young man. The salesman somehow tried every dress in his stock but none was being approved by the group of people accompanying the young man. The salesman was at a loss to understand as to how he should satisfy the customer. Finally, he noticed a look of approval on the face of the leader of the group for a yellow colour shirt. Encouraged by the smile, the salesman now knew as to where he should look for the endorsement. He did not have to try hard for closing his sales to the young man when he came out of the trial room. He said with an enthusiasm, "I think this colour suits you the best. What do you say, sir", the salesman looked for approval towards the man whom he had identified as the leader of the group. The nod of appreciation and support came through immediately, "yes, this I feel is finally the best." The leader of the group himself had completed the process of decision-making for others even though he did not have to buy the shirt for personal use.

FIVE STAGES OF CONSUMER BUYING DECISION PROCESS

Marketing researchers and human behaviour experts suggest that customers go through a five-stage decision-making process for making any kind of purchase decision (Figure 10.1). The researchers opine that the customer buying process for the first time buyer always starts with the five stages of knowledge gaining and acting on the knowledge so gained by him. A new product has been defined by many of them as a " a good, service or idea that is perceived and taken to be, by potential customers as new, as it has been not used by these customers before, even though the product might have been available in the market place for some time. The potential customers have not decided to buy and adopt the product yet. They may buy and use in case they are aroused sufficiently and are motivated to give it a trial by buying the product".

What makes a consumer buy products and services? How long does it take a consumer to reach the buying decision? What process does he go through before he decides to buy, is a question that is at the core of marketing research exploring into the consumer's analytical activity of the buying process. The marketers work out on various combinations and permutations of the principles of marketing and consumer communication to get the decision in favour of their products and services. The consumers, on the other hand, seek to get information on which products and services they should buy. Major decision-making models, strategies, and theories underlie the decision processes used by consumers and to provide some clarity for marketing executives attempting to find the right mix of variables for their products and services.



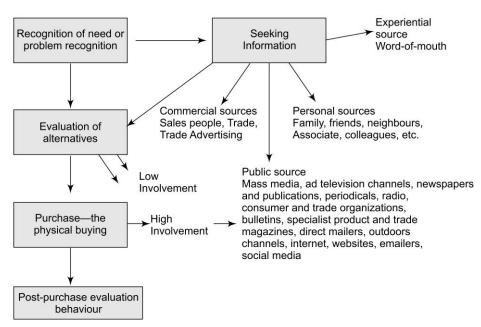


FIGURE 10.1 Stages of Consumer Buying Decision-making Process

Stage 1 Recognition of the Need

At the very first stage, the buyer recognizes a problem or need (e.g. the youngman in the case discussed above did not have a good shirt and hence went to the Raymond's showroom to buy one, the newly married couple needing new furniture, someone wanting medicine for fever). The customer's need may be awakened by the stimulus provided by the advertisements and other forms of communication used by the marketer. The customer may respond to this communication of the marketer (e.g. The customer may get tempted to buy shoes after looking at the Gucci shoes advertisement and a hoarding at the road crossing offering 50 percent off on shoe sales, the customer deciding to pursue a new study course or join a new college after watching the new college opening advertisement in newspapers informing the beginning of new course and study streams).

Stage 2 Seeking of Information

The customer gets "aroused" by the recognition of the need. The customer, at this stage, has to decide how much information is needed by him to find resource to fulfill the need so aroused. The customer will make all efforts to find the need satisfying resources and the product thereof urgently should the customer feel that the need is very urgent. In case the customer finds a product or service available (that can satisfy the need), then he takes the buying decision immediately. However, if no such product or service is available at hand, then the gap in information resource is felt by the customer and he feels the need to seek further information. We give here under details of many of the sources from where a customer can get hold of information about the products that can satisfy his need:

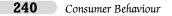
- 1. **Personal sources**: Personal sources are available in his family, friends, neighbours, associates and colleagues who could provide him information on the products and their resources which have the potential to satisfy his needs.
- Commercial sources: The commercial sources are available in direct product and corporate advertising, salespeople involved in selling the products, retailers and dealers who stock and sell the products, packaging of the products containing and displaying information, pointof-purchase displays in shops, shopping malls and in trade exhibitions.
- 3. **Public sources**: Public sources refer to different channel of the mass media e.g., electronic and television channels, newspapers and publications, periodicals, radio, consumer and trade organizations, bulletins, specialist product and trade magazines, direct mailers, outdoors channels, Internet, websites, emailers, social media, e.g., face book, LinkedIn, Orkut and many others.
- 4. Experiential sources: These sources refer to the influence of experiences spread through word-of-mouth by those consumers who have already used the products. The earlier users share their experiences, good or bad, with the prospective and potential consumers. The usefulness and influence of experiential sources of information vary by product and by customer as per the satisfaction level acquired by the earlier users. The customers always value and respect personal sources more than the commercial sources, as they feel that the commercial source could be the conduit for sales gimmicks to beguile customers and that the seller may not provide with the correct information.

Stage 3 The Evaluation Stages

At stage 3, the customer must choose between the alternative brands, products and services about which he has been provided information or he himself has been able to collect information about. The important determinant that helps a customer in evaluation at this stage is the customers feeling involved in the purchase of the product. Where a purchase requires high involvement of the customer, he would like to conduct a thorough evaluation. Figure 10.2 explains the process of high consumer involvement and low consumer involvement in detail.

- High-involvement purchases: These are the purchase decisions where decision-making will
 include products that will call for making high expenditure by the customer or the purchase
 decision may entail a very high personal risk with the investments, personal security or the
 image or the future of the buyer—for example, when buying a place to live like a house
 involves life time investment, or buying an automobile that calls for huge investments or
 even investing money for future profits and returns which calls for being safe and wiser. High
 involvement purchases involve extended decision-making because of the following reasons:
 - (a) **Higher expenditure involved:** The consumer may have to spend heavy amount for items such as buying an automobile or buying a house and it means a bigger financial arrangement has to be made.
 - (b) **Higher perceived risks:** The decision-making will involve higher risk of financial investments, safety and security and personal image.
 - (c) **Major investments:** The future is indefinite and the investments to be made for the future will have to be thoroughly assessed by the consumers before they commit their money and themselves into any kind of buying decision.

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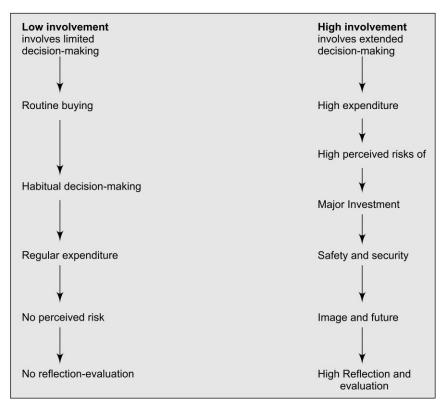


FIGURE 10.2 The Level of Involvement and Decision-Making

- (d) **Safety and security:** The consumers are always worried about the safety and security of the near and dear ones and of their possessions. Hence, any decision involving the safety and security of the higher nature calls for major involvement of the buying decision-maker.
- 2. Low involvement purchases: These involve routine buying of the products like buying a detergent soap, a bottle of soft drink, wheat and sugar in the neighbourhood shop. All such buying forms a habitual decision-making for the customer. It does not call for any reflection and evaluation thereof by the customer. Lower involvement of the consumer occurs due to:
 - (a) Routine buying by the consumer. Items such as grocery, daily needs, etc. do not call for much of the decision-making of the higher level and hence the involvement is also not very intense.
 - (b) Habitual decision-making: Habits are formed for brand usage. The customer just gets used to buying the same brand. Many a time, customers do get into buying fixed packages and quantities. For example, a customer buying tooth paste may end up buying the same brand of Colgate toothpaste in a tube size of 100 grams. Normally, in the household purchases of daily needs such as groceries, food items and other consumables, the housewife just sends a purchase list to the grocer without getting involved into the decision on a regular basis. She knows that the item, brand, quality, price and quantity will be almost similar to the purchases made by her last month and the month prior

to that. Thus, habit forming does not call for a very high involvement in consumer decision-making.

- (c) Regular expenditure: The expenditure incurred by the consumers on a regular basis becomes a routine affair and it does not have to call for a major decision-making, except for making the financial arrangements. However, any major deviation from the regular may change the equation and result into more involvement by the decision-maker. For example, the expense spent on petrol or diesel for regular running of the automobile falls under the routine and regular expense, but in case the automobile has to be sent to workshop for major repairs, it will certainly mean an intense consideration by the decision-maker of the household.
- (d) No perceived risk: Risk, as we have discussed, is always of lower nature in all those decisions where the required information is available to the decision-maker. Decision-making becomes easy in the event of the consumer not perceiving a very high risk for the purchases involved in the decision. But the higher the perceived risk in the decision-making, the higher will be the involvement of the decision-maker.

Stage 4 The Physical Buying of Products

Stage 4 involves the actual act of buying the goods, products and services which may happen across the counters, on the net or even by any other means of ordering the required goods or services by the customer.

Stage 5 Post-Purchase Evaluation

Post-purchase evaluation refers to the position at the last stage wherein the customer reacts to the decision of already having bought the product. The product so bought will either generate a sense of having taken the correct decision and the sense of satisfaction will prevail, or a sense of dissatisfaction may crop up in the mind of the customer. Whatever the case be, the customer will have to undergo a mental stage of cognitive dissonance where he feels that the other alternatives purchase should have been better. The customer may need a psychological alleviation by the product seller by way of confirmation of his decision already taken.

CUSTOMER BUYING PROCESS FOR NEW PRODUCTS

The process of buying a new product differs from that of the product which has already been used by the customer. That means we will like to call a new product as the product that has not ever been heard of and used by the customer before. The process of adopting a new product or service may run again into five different stages which have been identified below:

- 1. **Awareness**—The customer becomes aware of the new product by way of many of the communication channels as we have mentioned earlier. The customer may lack information about it and may need to seek more information.
- 2. **Interest**—The interest so generated by the communication or the information obtained will persuade the customer to seek more information about the new product.

- 3. **Evaluation**—The customer will, within his own experienced opinion, consider whether he should go for buying the new product or not.
- 4. **Trial**—The customer may try the new product to check for himself the value of the new product bought by him.
- 5. Buying decision—The customer may eventually buy the new product.

BUYING MOTIVES

It is an accepted fact that we all buy products and services due to certain motives. The motive arises from within an individual in the form of a strong desire, wish or an emotion that propels him to get into the action of buying. Thus, a motive is an inner stimulating influence that impels and drives a person's behaviour towards fulfilling a need or completing a mission. The consumer purchases a product or service because of this strong inner voice or a desire that initiates him into the buying action. The buying motives become important for all product manufacturers, designers, marketers, advertisers and other people involved in serving customers. The identification of buying motive can help in building the product designing strategies, marketing strategies and consumer strategies. Buying motives have been defined as "those influences or considerations which provide the impulse to buy, include action or determine choice in the purchase of goods or services."

Kinds of Buying Motives

Buying motives essentially may either pertain to the physical product or the same motive may emerge from the internal emotional upsurge and pushing the customer from within to buy. Such buying motives can be as follows (Figure 10.3):

- 1. Product buying motives
- 2. Patronage buying motives

We discuss in the following sections both the buying motives.

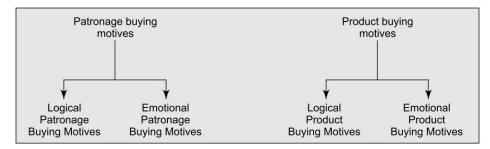


FIGURE 10.3 Kinds of Buying Motives

Product Buying Motives

The customer buys a product which can be qualified as the bundle of physical attributes, the construction, the design, the colours, the utility to satisfy the need and the ability to give the

Process of Consumer Decision-making **243**

desired level of post-purchase massage of personal ego. The customer looks for both tangibles and intangibles to take care of his motives, which may be the physical satisfaction of the actual need by the use of the product. The customer as we have seen, may also be looking for the emotional motive of satisfying his personal ego, or an ego to express himself through the purchase of the product emotionally. This kind of behaviour is basically the result of either the use of logic or the use of emotions by the customer. Hence, the product buying motives can be further subdivided into two categories as given below.

Logical product buying motive: We have seen in consumer behaviour models that a customer is basically an economic individual. He will necessarily be taking those decisions that can benefit him economically. The consumer uses the logic of obtaining the optimum benefit on account of all the scarce resources spent by him on the buying of a product. The consumer will be using logical explanation, e.g., whether he really needs the product, whether only this particular product will be able to satisfy the need being felt by him. He will also look at the rationale of spending so much money, time and efforts and comparing it to the actual benefits the product offers in return. The consumer will always try to find reasons and justify the purchase of the product. A customer buying a new car will be trying to justify the purchase on account of the staggered equated monthly installments that have been offered by the car seller. He may also justify the car buying by talking about the increase in income or the family size having grown up. But before taking the final decision to buy the car, a logical customer will make sure that he gets the best deal out of the car dealers and he picks up the model and the make which is most suited to his life style.

Emotional product buying motive: Many times, a customer may like to act impulsively and take an emotional decision to buy products or services. Such impulsive spontaneous decisions could be the result of the emotional buying motives or the motives that relate to the decisions taken by the customers on account of the matters that may be a little difficult to explain by any logical man. Such decisions are governed by the substance that touches the heart of the customers. The customer is emotionally aroused by the marketing campaigns, advertisements and communications when they try to hit at his personal ego, his family, his love and affection, his love for the country, his personal status, or his love cords otherwise. Humans are basically emotional and, as such, anything aesthetic, feminine, family-oriented, or the one that relates to the home and hearth can affect strongly the human sentiment. The marketers try to sell them life insurance policies, products for children, gifts for families and safety and security for the near and dear ones.

Sometimes a customer may make use of both the motives in arriving at a decision. The desire may begin with strong emotional appeal and may be followed by the logical explanation of the purchase decision taken by the customer. Such a situation may be referred to as the application of the *emotive logic*. Emotive logic is the process of providing a logical explanation for the emotional decision made by the consumers. The advertisers provide the emotive logic in their marketing communication to ease out the pressures of decision-making by the customers. For example, a customer with low income base is persuaded by the car sellers by appealing to his emotional aspects to buy a car to provide social status and comfort to his family. The same car customer is provided the logical reason of buying a car by offering easy monthly installments towards the payment for the car.

Patronage Buying Motives

The patronage may be due to earlier favourable experiences, associations and memorable incidents of the customers with the product, brand, or the company. The advertisers and marketers will always try to achieve the patronage position with their customers so that they can qualify to become the most preferred brands, corporates, shopping malls, shops and showrooms with the customers. The customer can either get emotionally attached to the brand or the product or there may have been logical explanations for him to have patronized some of the brands and products that he decides to buy. As such, the patronage motives can also be of two kinds as discussed below.

- 1. **Emotional patronage buying motives:** Emotional bonds can be developed by the customer with the products, shops or the shopping malls due to emotional, impulsive and unexplained personal reasons. The reasons can vary from the idea of just developing personal rapport with the sellers to the desire to be in line with the others doing the same. The customer may be trying to become exclusive when he selects a particular brand. The emotional buying patronage can also be formed on account of just finding it a convenient way of buying and shopping and not getting into the efforts of looking for more information for logical explanations.
- 2. Logical patronage buying motives: The earlier buying and analytics of the experience must have provided some reasons to the customer to patronize some of the resources and leave the others. The logical reasoning must have come on account of economics, behaviour, services, product mix, product quality, comparative analysis, convenience, approachability and many other such reasons that have impacted the consumer buying and provided him with the rationale to extend his favourable buying preference to the brand, product, shop or the marketing resource.

TYPES OF BUYING DECISIONS

The customer does not have to take similar decisions every time he decides to buy a product or service. Decision-making will depend on the kind of product or service the consumer has to decide about. It will depend upon the situational contexts, previous references, and the complexity of the decision-making and at what level of decision-making is the customer involved. It will also depend upon the impact the buying decision-making will have on the customer's immediate psychological position, and the long-term after-effects of the decision-making. The degree of customers' involvement in the decision-making thus becomes the deciding factor in naming particular type of the decision-making.

Level of customer's involvement in purchase decision: The customer's level of involvement establishes why and how much he is interested to gather information about products, services and brands. The involvement level of the customer is always dependent on the level of risk anticipated by the customer, as we have seen above. The higher the risk perceived by the customer, the higher will be the involvement of the customer; the customer will not get involved much should he anticipate a lower level of risk inherent in the purchase decision. The customer can apprehend any of the following risk, pertaining to his personal self, the family or the life and property of near and dear ones. He may apprehend social risk attached to the image of the self or to the family image.

Types of risk apprehended by the customer: The risks involved in decision-making can be of the following types:

- 1. **Personal risk** means apprehension about the loss of personal life, property, satisfaction, prestige, and peace of mind by the customer.
- 2. **Social risk** means the customer has doubts that the buying may lead to the loss of social prestige, social class and moving out of the social ranks. The social risk, many a time, becomes greater than the personal risk anticipated by customers.
- 3. **Economic risk** means the projected loss of limited resources of time, effort and money that will be spent by the customers due to buying decision.

Routine Buying Decisions

The customer does not accord much importance to the routine buying for his day-to-day purchases. The routine buying becomes the customer's regular act of the decision-making behaviour automatically. The customer takes the same buying decision without having a second thought out of the habit formed by him. For example, in order to buy tea leaves, sugar, rice and other grocery products, any housewife does not have to strain herself to take a decision. She will be picking up the regular products from the shopping mall as a routine activity and carry on with a customary habitual predisposition of going to the select counters in the shopping malls and loading the stuff into her trolley for billing. The marketing companies in such a situation need to:

- 1. Keep the reminder advertisements for the customer at the point of purchase and outside the stores and shopping malls to keep the customers informed of the products. The campaigns about the products, must be aired on and televised and the brands displayed at the retail stores constantly so that their products of routine buying become the top recalled products and brands in the mind of the customers.
- 2. Maintain the expected standardized quality, service and customer's expected value in the product. Any change in any of the customers' value in terms of quality or quantity will obviously shift the customer away from the routine products and he may have to search for the alternative that can replace the current routine buying product.

Limited Involvement Buying Decisions

The difficulty for the customer to reach a buying decision arises when he deviates from the routine buying decisions and has to take a new buying decision involving the change of taste, brand, or the decision has to be reached about the manufacturing company. In such a situation, the customer gets involved in the decision-making, though at the limited level, as it may not call for seeking much complex information concerning the product, brand or the company. The marketing man finds it easy to get the buying decision in his favour by making the information readily available to the customer. The customer, in order to avoid the post-purchase dissonance, will like to get as much detailed information on the product, brand and the company or the supply source as possible to compare his existing buying preferences with the new choice to be made soon. The customer can then analyse the information and can take a decision from out of the details provided by the manufacturer.

High Involvement Buying Decisions

The customer buying behaviour becomes very complex for the products where he does not have much idea about them. The customer has to gather new information. He has to analyse this information and eventually chose out of the many hitherto untried and untested products. The customer is just not aware as to whom should he keep as a benchmark and follow in taking the buying decision in such cases.

For example, a customer buying a car for the first time in his life will have to involve him completely to understand everything technically and commercially about the kind of cars available in the market and then decide from the available brands and makes, to make the optimum utilization of the sparse resources of time, effort and money. Besides, the customer also has to make sure that no post-purchase dissonance takes place, rather the post-purchase satisfaction adds value to the purchase decision taken by him.

Marketing communication by the manufacturers in such a high involvement buying decision plays a very important function in determining the role and involvement of the customer in buying decisions. The product's or services' advertisers who provide detailed information and get into the hand holding exercise with their customers in their decision-making can always score higher in the mind of the customers.

DECISION-MAKING MODELS OF CONSUMER BEHAVIOUR

Marketers, economists, social scientists, behavioural scientists, psychologists and advertisers have always been interested in finding out the decision-making process of the consumers to understand as to what makes the customers select and patronize particular products and, at the same time, what makes them reject many others. The marketing researchers, over the years, have been able to identify human behaviour from different points of views. The economists have called the consumer a thinking and planning individual who will like to utilize the available resources in a way that the effort made by him in getting the required information and eventually reaching the decision gets him the best utility in return. Some other thinkers have predicted satisfaction of the need as the primary motive of buying. Yet, another theory believes that the human being will make efforts to decide depending on the level of involvement the consumer will accord to the possessing of certain specific products. We discuss here some of the important theories of consumer decisionmaking.

Economic View of the Utility Model

The decision-making by the customer has always been linked to the economic activities performed by the customer, by the early economists led by Nicholas Bernoulli, John von Neumann, and Oskar Morgenstern. They looked at the buying of the products as an attempt to gain expected utility from the buying effort. The first formal explanation of consumer decision-making had been developed by the propagators of the utility theory somewhere in the seventeenth century. This thought had later been further explained and adapted by John Von Neumann and Morgenstern. They formally named their viewpoint as the Utility Theory or the Utility Model.

- 1. The utility theory had avidly professed that consumers take buying decisions based on the expected and well calculated economic result of their decisions.
- 2. This model believes that the consumers are rational and economical buyers.
- 3. The economic consumers are able to guess the possible result of current buying decisions.
- 4. The economic customers would like to make the best use of their limited resources and will take such decision that can get them the expected utility against the resources spent by them. Thus, they always adopt a balanced and economic approach.
- 5. The balanced human beings will like to take such buying decisions that can maximize their expected utility in return and can take care of their predictable economic interests.

Criticism of Economic View of Utility Model

The utility model, however, does not stand the test of times. The opponents of the view hold forth the following opinion:

- 1. The consumers are neither fully balanced, nor consistent in their buying decisions.
- 2. The consumers are not in the know of various basic factors and mechanism that form part of their decision-making process.
- 3. The detractors to the utility theory believe that consumers, though, are good at estimating their expected utility and guessing relative occurrence of events, they cannot exactly predict these occurrences into accurate future outcomes and expected utility results.

Thus, the utility model, as a consumer decision model, had some of the flaws and weaknesses that could not be explained by the model.

Satisfying Model

The satisfying model had been introduced by Herbert Simon (Nobel Laureate) in the mid-1950s. This model believes that:

- 1. The consumers' decisions are basically governed by the expected satisfaction they want to derive out of the decision-making.
- 2. The consumers are interested to get only that much knowledge about products and services as will help them in arriving at a satisfaction point.
- 3. They will seek information and process it to the point that it leads them to get the level of satisfaction that they desire to get.
- 4. The consumer at this point then finalizes the decision-making and will not get into the process further as his satisfaction will be achieved at this point.

A live example of this satisfying model would be the search for a new car which a consumer wants to buy. As per the utility theory, consumers would evaluate every car available in a market from the point of view of a single objective, i.e., of attaining the highest utility based on all the relevant variables of buying a car, and then select the car that can provide the maximum satisfaction to him. In satisfying model, the consumers will evaluate cars available in the market till the point when they find one that is good enough to meet the expected satisfying level.

Limitations of the Satisfying Model

However, the satisfying model suffers from similar lacuna as economic and utility theory.

- 1. It becomes difficult for a marketer to predict the satisfying level of the customer.
- 2. It is extremely difficult for the customer to settle his own satisfying level as the desire to have found something better will always remain.

Cognitive Model

The cognitive model is based on the idea that the buying decision depends on the level of involvement of the customer. The model states that:

- 1. The amount of cognitive effort applied to the decision-making process is directly related to the level of importance that the consumer attaches on attainment of the specific product. The higher the importance assigned to the procurement of the product, the higher will be the cognitive effort spent by the customer in gaining information to reach a decision.
- 2. The lower the importance of getting the product, the lower will be the requirement of the cognitive effort.
- 3. The customer will be actively and constantly seeking information for all those products that he considers important and that he finds could offer the kind of risks we have mentioned earlier.

For example, there is rarely a significant amount of decision-making applied to the buying of a tea leaves packet or the bag of sugar at the grocery store. But the same customer will be getting into a greater amount of decision-making effort and exercise when he has to buy a television set or an automobile.

The degree of customer's involvement in seeking and analysing information may not necessarily be an exercise to get the best price for the product, but it could be an effort to increase the positive impact on the quality of life led by the consumer.

The customer, as per this model, perceives that the quality of his life can benefit by quality product.

Better quality life, he believes, can happen ultimately from the social praise or approval provided by the social group the customer belongs to.

CONSUMER DECISION-MAKING IN THE HOUSEHOLDS

The households consist of the families living together under one roof. The family could be a joint family or a single unit family, a rural family or an urban family, but decision-making definitely is needed within the families on day-to-day basis. The marketers will be very happy to learn about the influences that act on the consumers while they make purchases for themselves alone or even for the family. In recent times, we have witnessed a very large growth in the household numbers due to the split of joint families into single units and also due to increase in mobility on account of globalization and opening of the economies. People have been moving from small towns to

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metropolitans, from villages to the urban areas to take to new avocations and careers. The recent trends of living in families, too, have been adding to the growing number of households across the more liberal societies.

Households and family's decision-making are definitely different from the individual decisionmaking. The family influence can be witnessed in the standards of living, in socialization and even in the consumption patterns of the members of the family who have to manage their budgets, purchases, aspirations and wants as per the family resources.

In most of the situations, the families sit down together and take many decisions of buying household goods jointly. The combination of husband, wife and kids makes a single economic unit for many reasons, even though apparently it consists of many individuals.

The household purchases for durables, clothes, televisions, washing machines, cars, eatables, food products, furnitures and many other such items are done after consultation with the members of the family.

TYPES OF FAMILIES

The household, as we have mentioned, is a unit of family in which two or more people live under the same roof in relationship to each other as members of a single family. Such household families can be of the following types:

- 1. Joint families: In the joint family system, the members stay and live together in the same area and premises and the parents, children and their grandparents, too, stay with them. Thus, a large number of people live together. The management of the household is generally in the hands of the eldest member of the family or it is assigned to the one who can manage it well without getting into the hair of other members. Such families are becoming rare sights in urban areas, though in the rural areas such joint families still abound. The decision-making in such families is generally left to the elders, with youngsters not being very active in family matters. Such families are considered as traditional families too.
- 2. Nuclear families: The joint family system has given way to the nuclear family system due to the spread of education, rapid industrialization and opening of the economies. Employment opportunities and career moves of the individuals have made them move out of the villages and smaller towns to bigger towns and metropolitans. The joint family system has given way to the nuclear family system wherein the husband, wife and one or two children make the household. Such a move has given exponential opportunity and growth to the products required for the setting up of the household. The furniture industry, the television industry, the refrigerator industry and the other white goods industry have never had it as good as they have been witnessing for the past 10 to 15 years. In such nuclear families, where parents as well as children are technology savvy, the decision-making to buy the products becomes a complete family affair. Children along with parents now have access to the Internet, the World Wide Web and the media of all kinds. It is but natural that the family likes to make a more researched and informed decision before they opt for a product.

Kinds of Nuclear Families

Nuclear families have taken different shapes and forms in cities and towns due to dynamic changes taking place in the social systems and social institutions across the world. We will have a fleeting look at the new kind of households that have also been called nontraditional families:

- 1. Young married couples without children: This unit is also called DINKS meaning "double income, no kids family". The couple gives topmost priority to their career and profession and has not had the time or the inclination to increase their family. Such household will have more discretionary funds for shopping, entertainment, travel, life style products, automobiles, durables, computers and high tech products.
- 2. Single parent families: The families are single parent families due to many reasons. The single parent could be a father or the mother, depending on who takes care of the kids. Single parents can be due to work related reasons, due to bereavement in the family or it could also be due to personal choice. Generally, where both the parents work in different cities, the mother will stay alone with the children to take care of them. The adoption by the unmarried/single mother or father is the latest trend in single parent families. Instead of becoming a biological parent after marriage, many people prefer to adopt a child and raise her or him alone.

Such parents end up spending more on their children, as they may want to compensate the child for the absence of another parent. The children are taught to be self-dependent and independent in their thinking and hence the decision-making, many times, for the purchase of household items is handed over to these children. Otherwise too, such children of the single parents are consulted for their choice of the products and brands.

- 3. Live in couples: Such couples are generally bolder, unconventional in nature and they do not believe either in the institution of marriage or just out of plain choice they live together without binding each other into the family ties of a married couple. Such couples generally are working couples and hence are likely to have higher income. Their spending power and the propensity to spend on the luxury goods, high priced durables, travel and entertainment is more as compared to the traditional families.
- 4. Individuals: Households are maintained by individuals too, whether out of compulsion or out of choice. The individuals may, however, not be the right consumers for the household items, but they like to spend on hi-tech electronic items, entertainments, food and travelling.

LIFE CYCLE STAGES OF A FAMILY

Each family has to, in its journey of growth, pass through many stages till the children of the family move away from the family and set up their own household. A family's spending budgets, patterns and propensity to buy will depend on the life stage through which the household and the family are passing through. Two people getting together by way of marriage or living in understanding form a family and then the journey of the household begins. At the initial stages of setting up a family, people spend more on the basic necessities of setting up a family, within their limited means. As the career of the bread earners grows, the family grows in terms of number of children. The income of the family does rise with each successive stage. The life cycle stages that a family passes through

have been explained by William Wells and George Gubar¹ in 1966 when they explained eight stages of the traditional families, as discussed below.

- 1. The bachelor stage: Single persons who have just stared their career with access to few financial liabilities but sufficient discretionary income at their disposal.
- 2. The newly married: The beginning of the married life. It is usual to find both husband and wife working nowadays. The double income provides sufficient financial liberty.
- 3. Full nest family I: Young couples with small children up to the age of six years. The family spends more on the child care, hence the family budgets are likely to be under constant strains if only a single parent works. There will be more discretionary income if both parents are working.
- 4. Full nest family II: The children of the family have grown up and now go to school; hence, they spend more time outside the parents' influence. The family income has been growing, as the parents' career too has grown.
- 5. Full nest family III: Older married couple will have the teenage children whose demands become more frequent. The expense on school/college education too rises but so does the income of both the parents if they are working.
- 6. Empty nest family I: The children have moved out on their jobs/careers. The couple is still involved in the career. Savings propensity of the family grows.
- 7. Empty nest family II: The old couple has retired. The children have settled in their own nests. The couple is dependent on the retirement benefits and the savings made earlier.
- 8. Solitary survivor: The single member remains alive with one of the partners having been expired. There is quite an increase in the expense on health and medical requirements by the single person.

LIFE CYCLE STAGES OF A NONTRADITIONAL FAMILY

The modern families, however, are different from the traditional family. In the modern family where both the husband and wife are involved in their careers, they postpone their decisions of having children at an early age. The modern spurt in individualism gaining preference over the community and social associations has resulted in the divorce rate going as high as 50 to 60 percent in some societies. This has given rise to new kind of modern household. In India, similar situation can be witnessed in some of the metropolitans to some extent, though the institution of marriage is still considered sacrosanct in the Indian society and the divorce rates are not as high as they are in the western countries. We discuss below some of the life cycle stages of nontraditional families as propagated by some thinkers and researchers in the 1970s and 1980s.

Situation 1:

- ▲ Young married couples with children
- Young divorced patents
- ▲ Single parent with older children
- ▲ Older unmarried

Situation 2:

▲ Young divorced couples without children

- ▲ Middle-aged married couples without children
- ▲ Older married couples without children

Situation 3:

- ▲ Young married couples with children
- ▲ Middle-aged divorced parents
- ▲ Middle-aged married parents with children and step children

Situation 4:

- ▲ Young married couples without children
- ▲ Middle-aged married couples without children
- ▲ Older married couples without children
- ▲ Widows

The income, expense and life styles of all modern couples and families will depend on the stage and the situation they are in. The discretionary income and the tendency to spare money for luxuries of life can be noticed in families where the divorce does not entail any matrimonial liabilities or the children education expense has already been taken care of. Generally, in the case of the families with the liability of children's educational and career expense, the budgetary constraints are always felt by the family, irrespective of the stage of the life cycle of the family or the situation the family belongs to.

DECISION-MAKING MODEL IN MODERN HOUSEHOLD

Household decision-making for day-to-day needs does not pose much of a challenge to the decisionmaker. In the case of routine and low involvement buying decisions, the buying decisions are treated as routine activities and generally members take these decisions as a habit forming exercise. The decisions related to the kitchen and daily needs are the individual decisions which may be handled by the house maker, but other decisions that involve a choice, an expense of higher value and individual tastes and perceptions, family status and standards, the decision-making exercise becomes a little comprehensive affair for the family. Such a decision obviously involves the opinion and the thinking process of the joint family session, where each member will have to contribute his best for the honour, safety and security of the family. In such a situation, it becomes important to understand the roles played by each member of the family unit, the likely areas of conflict and the process of conflict removal. The model of the household, as given in Figure 10.4, presents to us the stages of the joint decision-making in the families' decision-making possibilities in the modern households.

Joint decisions are usually taken by the families in situations where:

1. The level of the perceived risk appears to be very high. It is felt by the family that a wrong decision can adversely affect the interest of the entire family. For example, if the family has to buy a new house or make investments in a new business venture, it will affect each and every member of the family. Hence, it is important that a joint deliberation is undertaken prior to the decision-making.

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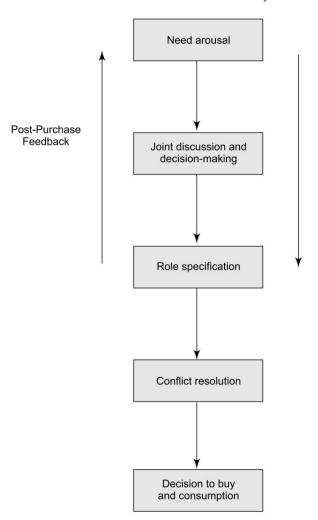


FIGURE 10.4 Household Decision Purchase Model in Joint Families

- 2. The purchase is for the household. A family buying an automobile for the use of the entire family will like to have discussions among all family members.
- 3. Some of the family units encourage and prefer a joint decision-making. It has been observed that business families, middle class households prefer a joint decision before any purchase decision is implemented by the family.

BUYING ROLES

It is generally assumed that the person who had visited the retail outlet or the sales resource had made the decision (in his mind in advance) of buying that product, services or even decided on the

brand, shop, or the company. But it is not necessary that that person had taken the buying decision himself. We have assumed that decisions are made in the minds of the consumers and not across the counters. It becomes important for the marketer to understand as to who had influenced the mind of the consumer to help him take the buying decision. In other words, the marketer has to identify the minds that had facilitated the buying decision for the consumer. He has to recognize as to who makes the buying decision, to patronize the shop, to select the product, and to buy the brand. The customer must have been interacting with his environment, people and family that surround him to reach the buying decision. During this interaction, he gets influenced to form a favourable or unfavourable attitude and opinion towards his buying or not buying certain products, services or the brands.

The marketers need to understand not only the influencers in the customer's decision-making but he also has to understand the various roles played by different people in the decision-making process of the customer. We discuss hereunder different levels of roles that can help the customer in decision-making process.

- 1. **The initiator:** The initiator is also known as the information gatherer. He is the one who initiates the idea of buying a new product or service for the family and thus activates the idea of buying in the mind. The initiator can be a real catalyst only if he is able to influence the final decision; otherwise, the initiator just performs a passive function of just providing information about the new product or service to the customer.
- 2. **The influencer:** The influencer plays a more active role as he gives advice, suggestion and, many a time, even the final decision to buy the product to the customer. The influencer as such must be in a position to analyse the information provided by the initiator and corelate it to the family needs.
- 3. **The decider:** The decider is the actual decision-maker. He acts as a decider and is the ultimate decision-maker who decides what product to buy, when to buy, where to buy from and how much to buy. The decider is not the ultimate user as he can pass on the decision to buy to the ultimate user or to another agency involved in the buying act.
- 4. **The buyer:** This person's task may be to simply perform the act of buying the product or services across the sales resources on the counter, on the online websites or otherwise.
- 5. **The ultimate user:** The ultimate user is the person who should be using, consuming the product or enjoying the service as the actual consumer.

The marketing company has to understand and identify the people involved in different roles being performed at each stage. This will help the company to form its product and marketing strategy, advertisement policy and formulate the customer communication strategy appropriate to the levels of roles involved in the buying process.

This is like a family visiting together a restaurant for dining where the order for food may eventually be placed by the man of the house but the children act as the initiators, the mother influences the choice for each member and the father decides what each one will eat, and how much to buy for each member.

Figure 10.5 explains the role played by each member in a joint family decision.

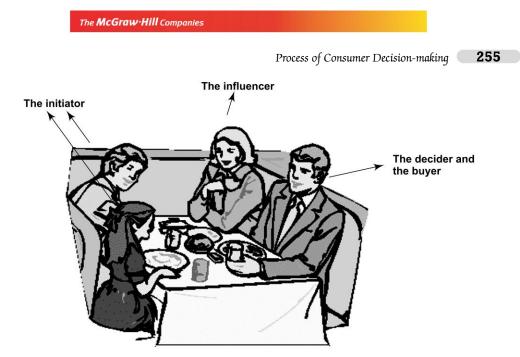


FIGURE 10.5 The Family Dining out – each Member of the Family Performing Different Roles

CONCEPT AND PROCESS OF INNOVATION

Creativity refers to the phenomenon whereby a person creates something new (a product, a solution, a work of art, etc.) that has some kind of value.² Innovation, however, is different from creativity. Innovation in marketing context means creating product or service whose value goes up to the customer but, at the same time, its input cost comes down both for the customer and the manufacture. Innovation, thus, in this context needs to be defined a little differently. The manufacturer while adopting the process of innovation, in order to appraise the worth of the new product to the customer, has to look at the tradeoff analyses, wherever the diverse interests of the manufacturer himself, the interests of the consumer and of the market run into conflict. The manufacturer's own interest of maximizing profits will have to take into account the consumer satisfaction that he intends to provide to the customer, for better market share.

These conflicts will have to be resolved by him from time to time at the multidimensional levels. We will have a look at some of the dimensions that need to be handled carefully by the manufacturer to innovate a new product.

1. Value innovation from the firm's point of view: Value innovation from the firm's point of view will have to be handled looking at the capability and capacity of the firm to remain constantly innovative. The firm will have to keep itself ahead of the competition by innovating new and competitive products that can bring up the value enhancement for the customer at the competitive prices. The customer's value enhancement through innovation is possible only if the innovation introduced by the manufacturer to the product results in lesser cost inputs for the manufacturer. The introduction of Maruti cars is a superb example of bringing forth value innovation into the Indian car manufacturing market in the early 1980s, where the market earlier had been dominated by Premier Automobiles Limited and Hindustan Motors

Limited. Both Ambassador Cars and Premier Padmini were manufactured by the outdated and obsolete technology and had inputs of heavily weighing metal sheets and other such components. Maruti Udhyog Limited, in collaboration with Suzuki from Japan, introduced light weight small Maruti standard 800 car and brought about a complete revolutionary change in the Indian car market.

2. Value innovation from the customer's point of view: A customer's view about the value innovation has to be a little different. He will value that innovation that can bring about ease of use with the change in technology, better value at lesser price, lesser efforts and higher benefits. The manufacturer, thus, has to take into account the customer's view point before bringing about any kind of value innovation to his products, marketing strategies and policies.

Approaches to Product Innovation

The manufacturer does not have to introduce an altogether new product in the market to remain innovative. He can, while bringing about innovation into the product range, look at the product innovation within any one of the following three approaches:

1. A continuous innovation to the existing product mix: Introducing improved and finer versions of the existing products and adding this adaptation to the existing product mix can be the ideal approach to product innovation. In this strategy, the manufacturer will be adding new features and benefits to the existing product to bring about an innovative product range for his customers. Bajaj motorcycles pulsar 150, Pulsar180, Pulsar 200, Pulsar 220F, Pulsar 250 have been introduced to the market with similar innovative features, offering better and newer version over the existing model of the motorcycle. (Figure 10.6)



(sources: burnyourfuel.com, 2wheelsindia.com, allhondamotorcycle.blogspot.com, accessed on 14. Mach 2011.)
FIGURE 10.6 Assorted Models of Bajaj Pulsar Motorcycles with Range of Innovation

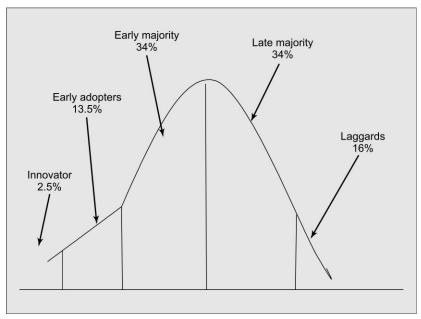
- 2. A dynamic continuous innovation to the product: The manufacturer will be completely modifying the product to offer an altogether new product to the customer. He will want the customer to move to the new modified product in order to understand and study the consumer behaviour and usage pattern of this new dynamic innovation. The introduction of lightweight 100 cc motorcycles by Hero Honda is a case in point where dynamic innovation had completely changed the consumer's approach to personal commuting to work.
- 3. An alternative product innovation: The introduction of scanners to obtain a copy of the documents and transmit the same by email, use of social pages like Face Book, Orkut, Yahoo chat have done away with the use of many earlier products like photocopiers, fax machines, formal letter writing and posting, land line telephones. All this has been possible because of the manufacturers introducing the alternative product innovations. In the alternative product innovation, the customer may be able to satisfy his need in a much faster and cheaper manner. The traditional mail that used to take many days to reach the addressee has been replaced by email and SMS, bringing about much easier and cheaper way of communication to the customers. The entire concept and the usage pattern changes with the introduction of an alternative product innovation.

The Diffusion Process

The diffusion process consists of four key elements: an innovation, the social system which the innovation impacts, the communication channels of that social system, and time.³ Diffusion theory's main idea is that information about an innovation is disseminated to or within the social system in staggered levels of acceptance, and the mass media and interpersonal communication channels help spread it from one category of consumer acceptance to the other level, depending upon the features and characteristics of the buyer group. Rogers describes innovativeness as "the degree to which an individual or other unit of adoption is relatively earlier in adopting new ideas than other members of a social system".⁴

The diffusion process refers to the acceptance of a new product or the innovation among all sections of the consumers in the market segment in which the product has been positioned by the marketer. The acceptance of the new brand/new product may not be similar and timed at the same time for all customers. This means that all customers may not start buying the product immediately on its arrival in the market place. People differ in their attitude towards risk taking, innovation and their going against the wind. This affects their willingness to try new products that can offer them new innovations. The new product/innovation will be diffused as per the following group acceptance spread over a period of time (Figure 10.7):

- 1. **Innovators:** Even after getting the information about the new products, people are generally wary of buying these products. Only the very extrovert, the outgoing, very informed and willing to try new products will opt for buying new products. The number of such people will be 2.5 percent out of the total customers. Such people are aware of the leadership role they may have to live in their fashion conscious society.
- 2. Early adopters: The next converters to new products and innovation are the early adopters, whose numbers total about 13.5 percent of the total customers. Such people carefully verify the information and the performance of the new introductions in the market place. These people may not be the icons, but they are the opinion makers in their social class and



(Source: Adapted from Rogers, Everett M. (1983), Diffusion of Innovations, 3rd ed., The Free Press London.)

FIGURE 10.7 **Categorization of Adopters on the Basis of Time**

community. They would like to be seen as progressive people and who are thinking ahead of the times. They could be in the high places in society, with a better financial position and higher educational credentials. As they are more successful, they would like to exhibit their success to the world by adopting new products. They, in a way, want to announce their arrival to the world by their open attitude towards the new products. Marketers and advertisers know the importance of these opinion makers and will focus to provide better information to these sections in order to speed up the diffusion process of their innovations.

- 3. Early majority: They are next to adopt the new products and their numbers total up to 34 percent. They are more careful and calculative and will not invest their time, effort and money on any product that has not been tested, tried and certified before. They generally look at the experience and the opinions of the early adopters before taking a decision that concerns them. They do not buy the new products in a hurry. Such people are fairly educated and have a higher than average level of income. Once the innovation has been accepted by this class and group of people, the product no longer can be called innovative and novel.
- 4. Late majority: The late adopters are very conservative in their nature. They have a conventional approach to anything new and innovative. The late majority numbering 34 percent of the total customer population will accept a new product after it has been tried and endorsed by the majority of the buyers in their social circle. Such late majority will have average income, education level and a social position. Consequently, their status in their society will also be just about of the average category.

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5. Laggards: Sixteen percent of the people are highly conservative, traditional and do not want to go any time against the wind in their lives. Such people generally lag behind and that is why they are known as laggards. They take to the new product so late that by that time the new product had been converted into a traditional product and do not retain its novelty in any form.

Rogers's model of adoption states that adopters of an innovation can be classified and categorized into five categories as we have mentioned and discussed above. As can be seen from Figure 10.7, these categories are defined as based on the related time of their adoption of the innovation by different categories of customers. The earlier adopters obviously begin their acceptance and adoption a little reluctantly, hence only 13.5 percent join along with the innovators (2.5%) to accept the innovation. As the process of adoption gains speed among other categories of customers and more people come to know of the new innovation, the acceptance for the innovation goes up substantially up to 34 percent among the early majority. The late majority of the 34 percent of the total customers then have no choice but to accept the new innovation at almost the same speed at which early majority had accepted the innovation. The laggards take a little longer to accept and by that time it becomes imperative for the marketers again to look for more innovations.

The companies in marketing have used these categories of the adopters of the innovation as elicited by Rogers, as the basis of an authoritarian principle for speeding up their diffusion process among different levels of customer groups. They have used differential and predesigned communications programmes to reach innovators, the early majority, the late majority and the laggard adopters by varying their advertisement and campaign themes.

THE CONCEPT OF ADOPTION

The concept of adoption refers to the process by which the consumers take a decision to buy the product and become the regular users of the products. The marketers and the advertisers need to learn this process so that they can make use of the information to design their marketing and communication strategies to reach their consumers in the appropriate manner and in the acceptable way. Philip Kotler has defined the adoption process as "the mental process through which an individual passes from first hearing about an innovation to final adoption". The adoption process will have its beginning in the customer buying process for new product which we have discussed in this chapter earlier. We had defined a new product as the product that has not ever been heard of and used by the customer before. The process of adopting a new product or service may run into five different stages, which have been identified below (Figure 10.8):

1. Awareness about the new product – At this stage, the customer becomes aware of the new product through the communication channels and his personal sources of information, as we have mentioned earlier. The customer may lack information about it as his sources may not have been able to provide him with the relevant information to take a decision. He may, however, be aroused enough to seek more information about the product.



FIGURE 10.8 A Traditional Model of Adoption Depicting Five Stages Process

- 2. **Interest in the new product** Once the consumer becomes aware of the new product, his interest is generated by the communication or the information obtained till now. The interest so generated will persuade the customer to seek more information about the new product, its value utility for him, its performance and its availability sources.
- 3. **Evaluation of the new product** The customer will, at this stage, evaluate within his own experienced opinion whether he should go for buying the new product or not. He will analyse his own intensity of the need and the capability of the new product to take care of the need. He will consider the efficacy of the new product, all aspects of need satisfying and the value return it will provide to him if he decides to buy the product.
- 4. **Trial of the new product** He may eventually decide to give it a try and buy the new product. He may now buy the new product to check for himself the value of the new product bought by him. From thereupon, it will depend upon the satisfaction obtained by him from the product. In case he finds the product meeting his expectation, he may decide to eventually adopt the product for regular buying.
- 5. Adoption of the new product The consumer has finally confirmed for himself that the product can meet his need fully and has the necessary features that he has been looking for. Having done that, he decides to include the new product in his list of regular and continuous list of products he buys for himself.

The limitations of the model are as follows:

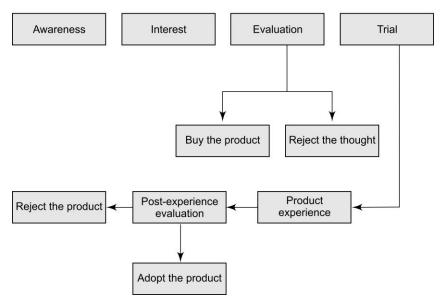
- 1. The model fails to present a complete picture of the need generation and the awareness of the need by the customer.
- 2. The model does not take into account the possibility for the rejection of the product by the customer. The customer may not opt for the product even after he has fully evaluated the product.
- 3. The customer may be evaluating the decision at each and every stage of the decision-making and it is not necessary that the evaluation takes place only after he has generated enough interest about the product.
- 4. The involvement of the customer does not end with the buying of the product alone. The involvement with the product, in fact, goes up after the purchase. The post-purchase dissonance, continued usage or the satisfaction and delight are more important for the marketers which the model does not discuss about.

Market researchers recommend the inclusion of two more stages into the traditional model of five stages to make it a comprehensive model of product adoption. These stages are: (i) The direct product rejection which may happen immediately after the trial and (ii) The stage of either accepting a product or rejecting after a direct experience. The model has been explained by L.G. Schiffman and L.L. Kanuk⁵ in the following manner, as explained in Figure 10.9.

Such behaviour can be noticed in the purchase of many expensive items. The customers may take a long time to decide about the final purchase. There can be many visits of the customers to obtain information about the product from the showrooms. The customers can visit the websites too, but they may not decide to buy. The rejection can take place at the evaluation stage itself. The customers face this kind of dilemma in the purchase of automobiles, houses, computers, laptops, and electronic items.

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(Source: Adapted from, L.G. Schiffman and L.L. Kanuk, Consumer Behaviour, 6th Ed., Prentice-Hall, New Delhi, 1997)

FIGURE 10.9 A Modified Version of the Traditional Model of Adoption Process

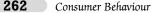
Rogers' Revised Adoption Process Model

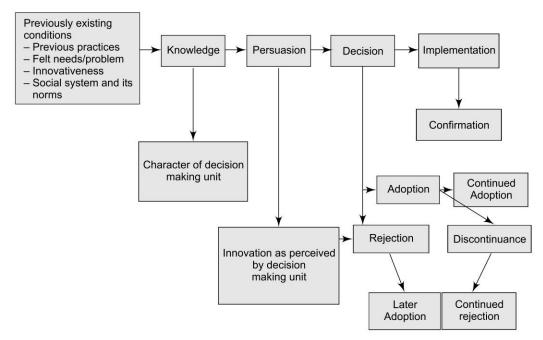
The adoption model, however, was subsequently revised by Everest M. Rogers in 1983 with the understanding that the consumer's knowledge about the product is better than it had been believed to be. He is already aware of the product innovation and existence and he has the knowledge about his own socio-economic conditions and the innate need for the product.⁶ This model, as given by Rogers, is presented in Figure 10.10.

Rogers' revised adoption process model focuses on the following five stages of the adoption model:

- 1. **Knowledge:** It is the awareness stage where the customer is in the know of the innovation. He has enough knowledge that he has a need and that the innovation can meet this need. The customer is aware of his socio-economic environment, and his own economic status including his personality factors. He is aware of the sources of information from where he has to seek more information on the innovative product.
- 2. **Persuasion:** The customer becomes more aware of the features and characteristics as he obtains further knowledge about the product from the personal and commercial resources. The details so obtained by him enable him to form either a favourable or an unfavourable attitude towards the innovation.
- 3. **Decision:** The customer by now undertakes all those activities that will help in deciding either in favour or against the adoption of the innovation.
- 4. **Implementation:** At this stage, the customer implements his decision of using the innovation. Some additional communication received by him on the innovation accelerates the implementation decision.







(Source: Adapted from Rogers E.M., Diffusion of Innovations, 3rd ed., Macmillan Publishing Co. Inc New York 1983.)

FIGURE 10.10 The Innovation Decision Process

5. **Confirmation:** The customer will evaluate the innovative product and his own experience with the same after he has used the product. His decision will be getting the approval of his confirmation of the decision either in favour of continued usage of the innovation or he will reject it and not include it in the list of products used by him.

OPINION LEADERS

Many decisions are not taken by the consumers alone on the strength of their personal judgements. They look forward to some kind of advice and earlier experiences of others. They also look towards the expert comments and opinions of people who, they believe, are in a better position to evaluate the products and make decisions. Such people as can advise others in their decision-making are known as opinion leaders. They can exert personal influence that can help the customer make a decision. The personal opinion may be expressed by the leader overtly by specific advice. The influence is exercised by such opinion leaders by way of exhibiting personal buying decision about the product and its usage. The likes and dislikes of the opinion leaders get spread by word-of-mouth communication and by the direct use of media channels and vehicles.

In the marketing scenario, the marketers can use the opinion of the opinion leaders to generate positive perception about their products. For example, when Shahrukh Khan is shown driving a Hyundai Santro or Hyundai I 10 car along with another film star, the advertiser is using the influence of the film star to generate a positive perception about his product in the mind of the prospective customers of Hyundai Santro cars.

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Such opinion leaders and influencers can be found in all kinds of society. A transport operator wanting to buy another automobile may consult a good automobile mechanic to find his opinion about the next brand of automobile the operator wants to purchase.

Similarly, the fashion conscious youth may look towards their film and other social icons to decide on the next fashion change the youth want to adopt.

Opinion leaders, thus, are used by the marketers as the potential ambassadors to generate goodwill, initial demand and recall for their products.

Characteristics of Opinion Leaders

Opinion leaders, many times, operate and are used by the advertisers and marketers consciously to promote their products, but sometimes these opinion leaders may become so by virtue of their being in higher status to lend an opinion towards the product. The opinion leaders can exercise their influence directly by the use of word of mouth. These influencers are seen in every strata and status of society.

- 1. Their opinions related to the products are taken as highly credible source of information: These are the members of society whom people look up to; hence, their words are taken seriously by others. When they speak in favour of certain products, people believe that they must be speaking out of personal experiences. That if they have used the product, it must be safer for others too is generally the perceived notion adopted by everyone who is influenced by these leaders.
- 2. Opinion leaders have better experience with the product and life in general and are seen as social and outgoing people: The social acceptance of the opinion leaders is very high compared to ordinary people. They are generally at the higher pedestal in life and are more outgoing and extrovert in nature. This extrovert nature gets them acceptance in all quarters of society. Since they have a better experience in the use of the product, they can speak about the product with more confidence and authority.
- 3. Their opinions are generally balanced and unprejudiced: Opinion leaders are more conscious of retaining and maintaining their place of respect and trust in their social circles, and hence they express their opinions very cautiously. Whenever they offer any advice about the new products, they will make sure they have enough information about the product so that only truthful and unbiased opinion is expressed by them about the product.
- 4. They have better access to media and have an image to live up to: Opinions leaders are more exposed to and have better access to the media of all kinds. They have already formed an image of themselves through the media and hence would see to it that they do not pass on wrong and misleading opinion or advice to the common public. Their opinions about the brand, etc. are highly valued by the customers.
- 5. **Opinion leaders are perceived better innovator consumers:** Innovators are keen to find out all that happens in the market, more particularly in the area of new product development. They keep themselves informed of the latest trends, new designs, and the introduction of new products. They want to be spotted the first with the new product. Such behaviour can be seen when opinion leaders adopt new models of mobile handsets, laptops, palmtops, and the new kinds of notepads and Ipads.

6. **Opinion leaders tend to be unique and different from others in adopting the innovative products:** The opinion leaders want to be perceived exclusive and experimental in their adoption of new products and innovations. More so if the product happens to be a new breakthrough in technology, engineering and fashion. In a study conducted by Laurent Bertrandias and Ronald E. Goldsmith, to model the relationships between consumer need for uniqueness and attention to social comparison information with fashion opinion leadership and fashion opinion seeking, it was found that both consumer need for uniqueness and attention to social comparison information with fashion opinion leadership. They found in a study conducted on more than 200 students that Apparel marketers seeking to encourage opinion leaders to promote their lines of new clothing devise appeals emphasizing the social significance of the new products and how they bestow uniqueness on their owners. Such uniqueness appeals were found to be more effective.⁷

Implications of Opinion Leadership in Marketing

We have seen how the diffusion process begins with just a small percentage of 2.5 percent of the total customers. Many of the customers from among this small percentage happen to be the opinion leaders, whose opinion, advice and experiences are sought and followed by others. These opinions and advices are expressed explicitly by word of mouth, implicitly by the behaviour of the opinion leaders in person at the shopping malls, through the media and by way of fashion statements. The marketers seek the support of opinion leaders to speed up the diffusion process in the marketplace. It begins with the process of sending samples to the opinion leaders to converting opinion leaders into spokespersons and ambassadors of the innovations. These opinion leaders are then used in product advertisements, campaigns and sponsorships to promote the products. Their opinions are advertised in print media, outdoor media, and prospective customers are encouraged to emulate the opinion leaders in adopting new innovations. We give hereunder a small list of some of the opinion leaders in India who have been roped in by marketers to become brand ambassadors of their products:

- ▲ Aamir Khan—Toyota Innova
- ▲ Tiger Woods—Accenture
- ▲ Shahrukh Khan—Santro, I 10
- ▲ Rahul Dravid—Brittania
- ▲ Kareena Kapoor—Citizen, India
- ▲ Katrina Kaif—Godrej Renew, Slice Aamsutra, Veet, Spice Tel, Nakshatra, Pantene
- Amitabh Bachchan—Hajmola, ICICI, Maruti Versa, Pepsi, Polio drops, Nerolac Paints, Eveready Battery
- ▲ Saif Ali Khan—Chevrolet UVA

The whole idea of using the opinion leaders as brand ambassadors is to accelerate the process of adoption to the early adopters, early majority and subsequently to the late majority and till the laggards too are roped in to accept the brand and product innovations.

S U M M A R Y

- We have in this chapter discussed the process by which consumers make decisions about the buying or not buying the product.
- We have discussed the five stages of consumer decision-making, three decision-making models, the motives behind the decision-making, and the buying roles that a consumer has to perform for eventually reaching the buying decision.
- The chapter covers in detail the concept of household and family, the joint families and the nuclear families. The decision-making model of modern households along with the buying roles performed by the members of family has been explained.
- In this chapter, we have also discussed the process of product innovation and its diffusion among various categories of consumers.
- The models of product adoption have been discussed in order to understand once again the stages that a consumer has to go through in his decision-making before he finally accepts the product as a routine buying in his buying behaviour.
- The influence and importance of opinion leaders and their characteristics have been discussed to understand the role of opinion leaders in speeding up the process of adoption spread over the entire market.
- Marketing practitioners can address and manipulate the role of opinion leaders to get into the mind and process of consumer decision-making to get their products accepted and preferred by their customers.
- This area of consumer decision-making is very complex and uncertain, but researchers from the fields of economics, psychology, sociology, and marketing are all deeply occupied in trying to solve the enigmatic consumer behaviour and decision-making.
- In the end, gaining a better understanding of how consumers make decisions is of great theoretical and practical value to all marketers as it will help them in devising their product designing, marketing and communication in the manner that consumers would prefer.

OBJECTIVE TYPE QUESTIONS

- 1. Decision-making is a calculated risk of economic and emotional in nature as every decision-making involves
 - (a) Certainty
 - (b) Risk
 - (c) Uncertainty
 - (d) Ambiguity
 - (e) All of these
- 2. Stages of consumer buying decision process involve
 - (a) Recognition of the need
 - (b) Seeking of information
 - (c) Evaluation of alternative
 - (d) Buying of the product
 - (e) All of the above

- 3. Which of the following situations do not call for high involvement of the customer for purchases?
 - (a) Where higher expenditure is involved
 - (b) Where higher risk is perceived by the customer
 - (c) Where major investments are needed
 - (d) Where routine buying is involved
- 4. The utility model of consumer decision-making believes that
 - (a) The consumers are rational and economical buyers
 - (b) The economic consumers are able to guess the possible result of current buying decisions
 - (c) Customers would like to make the best use of their limited resources.
 - (d) Customers take such buying decisions that can maximize their expected return
 - (e) All of the above
- 5. State which statement applies to the satisfying model as introduced by Herbert Simon (Nobel Laureate) in the mid-1950s:
 - (a) Consumers' decisions are governed by the expected satisfaction the consumers want to derive out of the decision-making
 - (b) Consumers' are interested to get only that much knowledge about products and services as will help them in arriving at a satisfaction point
 - (c) Consumers seek information and process it to the point that it leads them to get the level of satisfaction that they desire
 - (d) Consumers finalize the decision-making at the point of satisfaction
 - (e) All of these
- 6. Rogers' revised adoption process model focuses on the following stages of the adoption model:
 - (a) Knowledge
 - (b) Persuasion
 - (c) Decision
 - (d) Implementation and confirmation
 - (e) All of the above
- 7. The process of adopting a new product or service may run into different stages as identified below:
 - (a) Awareness about the new product
 - (b) Interest in the new product
 - (c) Evaluation of the new product
 - (d) Trial of the new product
 - (e) Adoption of the new product
 - (f) All of the above
- 8. Whether the following statements are True or False:
 - (a) The involvement level of the customer in the purchase decision is always dependent on the level of risk anticipated by the customer.
 - (b) The diffusion process refers to the acceptance of a new product or the innovation among all sections of the consumers in the market segment in which the product has been positioned by the marketer.
 - (c) The concept of adoption refers to the process by way of which the consumers take a decision to buy the product and become the regular users of the products.
- 9. Fill in the blanks:
 - (a) _____ is also known as the information gatherer.

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- (b) _____ plays a more active role as he gives advice, suggestion and many times even the final decision to buy the product to the customer.
- (c) _____ is the actual decision-maker.
- (d) _____ is the person who should be using, consuming the product.

REVIEW QUESTIONS

- 1. What are buying motives? Discuss the buying roles that the consumer may perform in the decision-making.
- 2. Discuss the decision-making models. Discuss the limitations of the economic model.
- 3. Discuss the concept and process of innovation.
- 4. Discuss Rogers's revised adoption process model.
- 5. Discuss the characteristics of opinion leaders. What is the importance and implication of opinion leaders in marketing?
- 6. "Decisions are made in the mind of the consumers and not across counters." Elaborate the customer decision-making process in the light of this statement.

ACTIVITIES

Analyse the purchase decisions made in your family. Make a list of the purchase decisions taken and categorize them into the high involvement and low involvement decisions. Discuss the features of both the categories as you had observed.

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Answers to Objective Type Questions1. (e)2. (e)3. (d)4. (e)5. (e)6. (e)7. (f)8. (a) True, (b) True, (c) True9. (a) The initiator (b) The influencer (c) The decider (d) The ultimate user



The scene is familiar to many of the car owners in India who had owned and still own the old models of cars like Hindustan Motors's Ambassadors, Fiats, Premier Padminis and Maruti Standard 800, etc. Each of the models of these cars had separate keys to the doors, ignition and to the petrol tank. The driver had to operate with a different car key every time he wanted to get the fuel filled at the gas filling station, use another key for the boot or the trunk to be operated, insert a separate key for the doors, and finally another key was required by him to insert into the ignition switch to start the car. God forbid, if any person had to open the car with his hands full with packages from a shopping trip. The driver had to first open the main front door by inserting the door key and take care of the falling packages in the arms. Once the door had been opened, the person who wanted to drive the car had to locate the correct key for ignition from out of the heavy bunch of all the keys. In short, it used to be a very cumbersome process of handling those entire sets of car keys indeed.

Replace Multiple Car Keys

The process of innovation of the single car key that could operate in either direction and open all the locks fitted into the car had begun in Japan in the mid' 70s. Toyota Motor Corporation and all other Japanese cars manufacturers had invented the new convenience for the car customers by innovating a single car key insertable in either right or left direction that could unlock the door, ignition, trunk, fuel tank and dash board. The same way manufacturers like Hyundai, Nissan and BMW too introduced the single car key to all doors. Many of the car manufacturers have bundled "remote", key also with other lock functions needed in a car.

Innovating a single car key for all operations of the car is not a very expensive proposition for the car manufacturers, and does not ask for much of high technology to develop such a key.

THE STORY OF GENERAL MOTORS' CORPORATION

But there are manufacturers who have resisted changing over from multiple car keys to single car key for many reasons. For example, Ford Motor Company issues a separate car key for the trunk or the boot of most of its models quoting security as one of the reasons. General Motors' Corporation has not adopted the idea of a single car key. The company issues a separate car key for the trunk and the door. The company has another key for the ignition. The research conducted by experts reveals that the car customers will prefer a single car key for all car operations (mechanical, electrical, as well as manual) on account of convenience. General Motors Corporation had a third key to permitting entry by way of remote control.

But General Motors' Corporation does have a single key for some of its models. Prominent among these models is the Saturn brand which had switched to one key. The car sold 6 percent in 1992 and 3 percent in 2006 in the United States. The General Motors brands like Opel and Saab come with one key. At the same, in China (Shanghai General Motors), models like Buick and a few others do have two keys.

JUSTIFYING REASONS FOR MULTIPLE CAR KEYS AT GENERAL MOTORS' CORPORATION

The company does have its reasons for not introducing a single key. The major reason is the prevention of theft by the car parking attendants who, the executives of the company believe, may open the trunks of the cars (with that single key) and may steal valuables. As a preventive measure to prevent thefts of the cars (General Motors' Corporation had suffered a series of car thefts in United States), the company had introduced a chip in the key that could work on the ignition and not on the doors and the trunk. The chip protrudes from the key, hence the same key cannot be used for turning in either direction for the doors. Hence, two keys had been necessary. The third key—the key to the remote door opener—had been introduced by General Motors in 1992, against the cost of \$135 in 30 of its 65 cars. The number of keys for these models went up from two per car to three, thus, doing what had been contrary to the customers' expectations, i.e. expecting single car key for all operations.

The unconfirmed company sources attribute this issue of not shifting to a single car key to operational difficulties on account of its parts being sourced from different sources. The company manufactures it steering columns at a factory in Saginaw, Mich. From there, the columns are sent to assembly plants with ignition keys already in place. The door keys are fitted in the assembly plants. The practice of multiple plants at General Motors Corporation makes it difficult to shift to single key.

Some of the people and General Motors' own executive believe that the company cannot have a single key because the company always had two keys to their cars.

THE HEAVY COST OF SHORTSIGHTEDNESS TO CONSUMER INNOVATION

The General Motors Corporation had been a leading car seller. It had always been considered as the leader in automobile technology. The company always believed in adopting safety measures in its cars and hence had been the first to introduce new innovations like the safety glass, and the air bags in its cars, which was much ahead of the competition. The company always believed that the customers were always with it as was evidenced by its number one position in the automobiles sector. The company's research had primarily focused only on those segments of customers who already owned General Motors cars. The company did not reach out to those car users using competitors' cars. Resultantly, Japanese car makers who had been researching the consumer needs at the shopping malls and other places, before taking up the designing of their cars and station wagons, had better demand from the American customer. The General Motors' Corporation lost its major shares to some of the Japanese manufacturers like Toyota and Honda whose innovation laboratory existed in the fields with the customers. These companies had practiced an open innovation policy.

Source: The case study has been Adapted and rewritten from an article that had appeared In One Key or 2 for the Car? Innovation Is Unwanted, by Doron P. Levin, Special to the New York Times. (1857-Current file); Dec 29, 1992; Proquest Historical Newspapers the New York Times, p 5.

DISCUSSION QUESTIONS

- 1. Discuss the drawbacks of a market research that the General Motor Corporation, had conducted on its own customer base only without expanding the research universe to user groups of other cars manufacturers.
- 2. Explore the reasons of Japanese car manufacturers making inroads into the market share of General Motor Corporation. Discuss and compare the Japanese car manufacturers' approach of open innovation.

ACTIVITY

You can conduct and undertake a similar survey of the car users to find out their attitude towards the issue of a single key /multiple keys for their cars.



LEARNING OBJECTIVES

After reading this chapter, the reader should be able to understand

- Concept of communication
- Communication process
- **Elements of communication**
- Elements of marketing communication

CONCEPT OF COMMUNICATION

In our day-to-day language, the term 'communication' refers to the act of holding meaningful discussions among people. In marketing terms, it means sending messages to internal and external customers, prospects, associates and other general public by face-to-face talk, in writing, by electronic channels, by silent sign languages and even by the use of body language. The tools used in marketing for communication (with all the customers the public we have mentioned here) are personal selling, advertising, sales promotion, publicity and public relations. Companies use a combination of all of these tools to communicate with their internal and external customers.

Communication is a process whereby information is channelized and sent by a sender to a receiver through some medium. The receiver receives the message and then decodes the message. The receiver gives the sender a feedback on having received the message in the spirit and language in which it had been originally sent. All communication makes use of these elements of communication that include a sender, a message, and a targeted recipient (Figure 11.1). In marketing, companies

Consumer Communication Process

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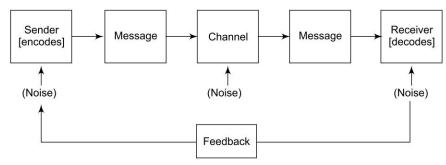


FIGURE 11.1 Communication Process Model

send messages to the customers on their products, on the price of the products, about the place and the channels where the products could be available and on all kinds of innovations, and all this information is communicated through the tools adopted for sales and corporate promotion. In communication, however, all parties are expected to have an area of communicative commonality. This common communicative commonality could be the use of auditory means, such as speech, song, and tone of voice. It could also include non-verbal means, such as body language, sign language, paralanguage, touch, eye contact, and media, i.e., pictures, graphics and sound, and writing.

TECHNOLOGICAL ADVANCEMENTS AND COMMUNICATION

Technological advancements have revolutionized the processes of all kinds of communication. The advancements in the telecommunication technology have revolutionized the concept of communication as communication can now be transferred and communicated through the faster channels of emails and web browsing without actually coming together of the messenger and the receptor as it had been traditionally done by way of face-to-face and other modes of communication, i.e. print media, electronic media and outdoor media. Technological advancements have ensured that instant messaging can take place to multiple receptors simultaneously and the sender can get feedback on the delivery of multiple messages on the Internet, World Wide Web, and other electronic channels instantaneously. This kind of messaging and communication is quite capable of reducing the possibility of the message getting distorted on the way. The communicator should receive the feedback about the understanding of the message by the receptor in the same spirit in which it has been sent. In marketing, the use of traditional mass media, however, prevents such kind of feedback.

In the traditional communication process model, however, there is still distortion in the sending and the receiving of the message due to noise. The majority of the communication still occur through traditional channels used by the marketers.

UNDERSTANDING COMMUNICATION

Communication is a process by which a meaning is assigned to the message created and conveyed that could lead to a shared understanding of the message. This process requires skills in communication processing. The process requires:

1. Listening skills: The message needs to be listened and understood in the right perspective.

- 2. **Observing skills:** It is necessary to read the body language and the facial expressions to understand the message beyond the verbal contents.
- 3. **Speaking skills**: It is essential to convey the right language with the right tone, accent, and the auditory efforts.
- 4. **Questioning skills:** It is obvious that if the message is not understood in the right perspective, a good questioning skill will be handy.
- 5. **Analysing skills:** It is essential to analyze the contents, the obvious and the not so obvious meaning of the message.
- 6. **Gestures**: The movements of hands, fingers, shaking of the head, and gestures all convey different meanings in different cultures. The understanding of the gestures in the culture perspectives will be essential to establish a good customer communication.
- 7. **Evaluating skills**. To understand how successful the mode is, content and the system of the customer communication adopted in order to take necessary corrective actions whenever needed to take care of the distortions in the communication established with the customer.

COMMUNICATION ESTABLISHES MEANING

Communication establishes the shared understanding, collaboration and cooperation of the interaction that takes place between two or more individuals and groups, thus establishing a common meaning to the communication. The establishing of the marketing communication gets completed only when the communication addressed to the customer delivers its intended message along with the intended meaning to the customer and elicits the right response from the customer. That is why a clear distinction is called for in the product messages or the corporate message addressed to the consumers. Many times, the companies keep on using corporate messages with the hope that they will get the customer demand for the products. But it may not happen so. A customer who is searching for the product information to take a decision on the product buying would hardly be able to get attracted by the corporate advertising. Figure 11.2 displays a communication modeling.

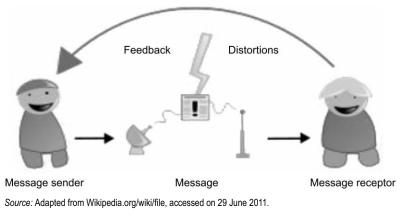


FIGURE 11.2 Communication Modeling

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UNDERSTANDING THE SPREAD OF COMMUNICATION

The study of communication is typically broken into three distinct areas by the researchers: human communication, mass communications and communication disorders.

Human Communication

It is the study of how individuals/humans communicate and what means and methods they adopt to complete the process of communication to attain the shared meaning. Such a study becomes important for the marketers. The marketers will have to have a complete mastery over the communication to be adopted for personal selling and wherever one-to-one communication is involved in communicating with the customers. The distinct areas that human communication covers can be identified as are given below.

Intrapersonal Communication

It means communication with one's own self. When people talk to themselves by way of imagining, soliloquy, and loud thinking, it is called *intrapersonal communication*. Marketers could be interested to understand as to what their customers talk about themselves, what are their imaginations, their dreams, aspirations, silent thoughts and loud thinking that could be of greater help in devising the marketing and communication strategies.

Mass Communication

It refers to a situation where communication is entered upon with mass public either directly or by taking recourse to the usage of mass media, e.g. television, newspaper, or direct announcements. This media is largely used by the marketers to communicate with their customers and the target markets to convey messages about many things such as products, pricing, distribution systems, and, of course, the direct sales messages.

Interpersonal Communication

It refers to the process of transacting messages between two or more people who work together towards creating and sharing same meanings. Thus, there are three critical ingredients or components involved and inherent in the interpersonal communication: (i) Process, (ii) Message and (iii) Shared meaning. Though the customer may not be the interpersonal subject for the marketers, once the customer has been connected to the company in any way, the communication becomes an interpersonal communication where the buyer and the seller both share the meaning of the message conveyed.

Organizational Communication

Organization is a group of many people gathered together for the achievement of many shortterm and long-term objectives, even though their mission and vision may remain the same. They communicate with each other on many platforms varying from individual interpersonal

communication, group communication to mass communication. The marketing organizations who have made their customer communication part of the organizational communication stand a better chance of not only winning over the customers but even of retaining the customers on the strength of the communication established.

Oral Communication

It is a process whereby information is transferred from a sender to a receiver. In general, communication is usually transferred by both verbal means and visual aid throughout the process. The oral communication skills, as we know, will become very important in retail and online marketing.

Small Group Communication

It takes place between groups of people who have gathered together for a particular purpose. For example, a cricket team, a classroom full of boys and girls, a batch of trainees in a commercial organization, a customer group being addressed by the company executives. Their common purpose could be the reason for group communication.

Intercultural Communication

It is characterized by contacts resulting in communication between people with different linguistic and cultural backgrounds. This communication takes place because of the spread of the World Wide Web, Internet channels and telecommunication. The communication contacts take place within the areas of international business, military cooperation, science, education, mass media, entertainment, tourism, and movement of nationals to other countries because of immigration brought about by labour shortage or political conflicts.

Non-Violent Communication

It is based on the principles of non-violence—the natural state of kindness when no violent behaviour is present in the heart. Non-violent communication begins with the assumption that all humans are kindhearted by nature. The marketer will do well to understand the non-violent nature of the communication to establish a better understanding with his customers.

CONFLICT AND COMMUNICATION

When customers get angry, when they get dissatisfied, when they want to leave the company's products and services and move over, the company needs to resolve the cause of conflict by communication. It is said that for neighbour's feud, lover's quarrel or nation's war, the predictable remedy prescribed by the voices of reason is communication. The prevailing view is in case of conflict, communicating is always the right thing to do. The U.N. Security Council encourages hostile countries to "hold talks," and marriages counsellors advise quarreling couples to "express their feelings."¹

Rhetoric

Rhetoric is putting together good arguments using communication as a means of persuasion. It includes mastering different types of appeals and make them situation-specific, audience-tailored, and sharp to drive a point home. Rhetoric could be the most useful means adopted by the marketers to use good arguments for communication to the customers about their schemes, products and the advantages attached to the products in order to persuade them to buy and adopt their products.

Public Speaking

It is the process of speaking to a group of people in a structured, deliberate manner intended to inform, influence, or entertain the listeners. In public speaking, as in any form of communication, there are five basic elements, often expressed as "*who* is saying *what* to *whom* using what *medium* with what *effects*." The purpose of public speaking can range from simply transmitting information, to motivating people to act, to simply telling a story.² Public speaking form of communication is necessary for the marketers and corporate to communicate effectively with a larger group of customers.

MEDIA AND COMMUNICATIONS PSYCHOLOGY

This refers to the application of psychological theory and research to understand the impact of media and emerging media technologies in both academic and non-academic settings. Psychology is fundamental to understanding the impact of all the media used by the marketers on individuals. This field encompasses the full range of human experience of media—including affect, cognition, and behaviour—in activities, events, theories, and practices. Media include all forms of supports and means used for communication, such as pictures, sound, graphics, content and emerging technologies. The advertisers will have to understand the integration of all these forms of support communication in forming communication strategies and understanding their impact on the human behaviour.

Mass Communications

This is the term used to describe the academic study of the various means by which individuals and entities relay information through mass media to large segments of the population simultaneously. Mass media usually relates to newspaper and magazine publishing, radio, television and film, as these are used both for disseminating news and for advertising and communicating with the masses. The marketing use of mass communication has been gaining more importance with every new innovation in the media.

Graphic Communication

As the name suggests, it is the process of communication through the use of graphics and graphical aids. It is the process of creating, producing, and distributing communication material incorporating words and images to communicate.

Science Communication

This generally refers to media aiming to communicate about science subjects with non-scientists. It includes science exhibitions, science journalism, and science policy and science media production aimed at establishing communication about science with people not connected with science. Companies selling scientific products and technical products to non-technical targeted markets need to understand the use of science communication to understand their customers well and to communicate effectively about their products.

Strategic Communication

It can mean either communicating a concept, a process, or data that satisfies a long-term strategic goal of an organization by allowing facilitation of advanced planning, or communicating over long distances usually using international telecommunications or dedicated global network assets to coordinate actions and activities of operationally significant commercial, non-commercial and military business or combat and logistic subunits. Strategic communication refers to policy-making and guidance for consistent information activity within an organization and between organizations. Equivalent business management terms are: integrated (marketing) communication, organizational communication, corporate communication and institutional communication.

Technical Communication

It is the process of conveying information through writing, speech, and other media to a specific audience. Technical communicators often work collaboratively to create products (deliverables) for various media, including paper, video, and the Internet. Deliverables include online help, user manuals, technical manuals, white papers, specifications, process and procedure manuals, industrial videos, reference cards, data sheets, journal articles, patents, training, business papers and technical reports.

Public Relations

Public relations can be defined "as the practice of managing communication between business organizations and their internal and external customers, though more of external communication is directed at building public relations". PR is used for establishing rapport with employees, customers, investors, voters, or the general public. The organization which wants to portray a positive image in the public employs some level of public relations. PR disciplines need constant support of corporate communications, such as Analyst Relations, Media Relations, Investor Relations, Internal Communications and Labour Relations to build up perceptions and communicate its views and interests to common public.

Broadcast Media

It refers to a vast range of communication means employed by broadcasting channels such as Internet, World Wide Web, television, radio, newspaper, magazines, outdoor and indoor and point of purchase media. Broadcasting makes use of vehicles such as films, documentaries, serials, soap operas, news, articles, advertisements, and many other promotional messages for communication.

Journalism

It makes use of communication for investigation and reporting of events, issues, and trends to a much wider and bigger audience. The idea is to communicate with the citizenry. Besides communicating with and about organizations and institutions such as government and business, journalism communicates about the cultural aspects of society.

HUMAN COMMUNICATION

Humans use spoken and written languages which can be described as a system of symbols (sometimes known as lexemes) and the grammars (rules) by which the symbols are manipulated. The word "language" is also used to refer to common properties of languages. Language learning is normal in human childhood. Most human languages use patterns of sound or gesture for symbols which enable communication with others around them. There are thousands of human languages, and these seem to share certain properties, even though many shared properties have exceptions.

Non-verbal Communication

Non-verbal communication is the process of communicating through sending and receiving wordless messages. Such messages can be communicated through gesture, body language or posture, facial expression and eye contact, object communication such as clothing, hairstyles or even architecture, or symbols and infographics, as well as through an aggregate of the above, such as behavioural communication. Non-verbal communication plays a key role in every person's day-to-day life, from employment to romantic engagements.

Non-verbal Elements

Speech may also contain non-verbal elements known as paralanguage, including voice quality, emotion and speaking style, as well as prosodic features such as rhythm, intonation and stress. Likewise, written texts have non-verbal elements such as handwriting style, spatial arrangement of words, or the use of emoticons. A portmanteau of the English words emotion (or emote) and icon, an emotion is a symbol or a combination of symbols, such as :), used to convey emotional content in written or message form. Modern communication channels such as email, SMS and telegraphy fit into this category.

Categories and Features of Non-verbal Communication

G W. Porter divides non-verbal communication into four broad categories³ which have been discussed below.

1. Physical

This is the personal type of communication. It includes body language, facial expressions, tone of voice, sense of touch, sense of smell, and body motions. All these can be covered under kinesics, the ways in which people use body movements to communicate without speaking.

2. Aesthetics

This is the type of communication which is expressed through creative expressions. Aesthetically, an artist can communicate with his or her audience when the person takes to playing instrumental music, dancing, painting and sculpturing.

3. Signs

This is the mechanical type of communication, which includes the use of sounds and signal, raising or waving flags, and blowing whistles, conchs, horns, and sirens.

4. Symbolic

Another type of non-verbal communication that makes use of religious, status, or ego-building symbols.

Static Features of Non-verbal Communication

Non-verbal communication is a mix of static as well as dynamic features. We can discuss these features as under.

1. Distance

Distance in non-verbal communication denotes different meanings to the communicators. The distance at which one stands from another person while communicating regularly conveys a non-verbal message. Sometimes, distance is a sign of attraction, while in many other cultures, it may convey a status or even the intensity of the exchange.

2. Orientation

People express and communicate in various ways, each way conveying a different orientation, which can be: communicating face-to-face, side-to-side, or even back-to-back. Sitting side by side could be the gesture and orientation of the cooperating people, while the competitors may like to frequently face one another exhibiting some kind of distrust in their orientation.

3. Posture

Our body language during different times conveys and communicates separate and varied meanings, though unknowingly. Our body postures during the communication with another person can convey a degree of formality or exhibit informality and relaxation.

4. Physical Contact

Our other bodily gestures and physical acts too can communicate silent language. Movements and gestures like shaking hands, touching, holding, embracing, pushing, or patting on the back all convey messages. Such physical touch and bodily contacts reflect an element of intimacy or a feeling of (or lack of) attraction.

Dynamic Features of Non-verbal Communication

1. Facial Expressions

Our facial expression can convey a lot of information while communicating, and for this no verbal interaction will be necessary. Humans can communicate without the use of words. They just have

to make use of a smile, a frown; by way of raised eyebrow, yawn, and sneer. All such expressions can convey information. Our facial expressions can continually change during interaction. Such changes in facial expressions are monitored constantly by the recipient.

2. Gestures

People make use of hands gestures and movements while communicating. Many of the gestures (e.g., a clenched fist) have universal meanings, while some of the others are individually learned and are characteristics of the people using them.

3. Looking

Every non-verbal communication will be incomplete if eyes have not been made use of by the communicators. Eye contact is the major feature of social communication between human beings. Eye movements and eye gestures can convey emotion, signal when to talk or finish, or aversion. The frequency of contact may suggest either interest or boredom.

4. Visual Communication

Communication can also be made through visual aids. Ideas and information can be conveyed in visual forms that can be read or looked upon and meaning extracted thereof. Visual communication is basically associated with two-dimensional images. It includes: signs, typography, drawing, graphic design, illustration, colour and electronic resources. Communication here completely is dependent on visuals. A visual communication message with text has a greater power to inform, educate or persuade a person.

The evaluation of a good visual design is based on measuring comprehension by the audience, not on aesthetic or artistic preference. There are a number of ways to present information with the help of visuals. The focus is on the presentation of text, pictures, diagrams, photos, etc. integrated on a media that can organize the display of the visuals.

THE CONCEPT OF ORAL COMMUNICATION

Oral communication is a process whereby information is transferred from a sender to a receiver; in general, communication is usually transferred by both verbal means and visual aid throughout the process. The receiver could be an individual person, a group of persons or even an audience. There are a few types of oral communication discussion, speeches, presentations, etc. However, often when communication takes place face-to-face, the body language and the voice tonality of the communicators have a bigger impact than the actual words that are used in the communication. The content or the words that are used in communication are not the determining part of a good communication. The "how you say it" has a major impact on the receiver. You have to capture the attention of the audience and connect with them. For example, when two persons say the same joke, one of them could make the audience die laughing by using his body language and tone of voice. However, the second person could make the audience stare at one another. In an oral communication, it is possible to have visual aid helping you to provide more precise information. Often enough, we use a presentation programme in presentations related to our speech to facilitate or enhance the communication process.

In a simple model, often referred to as the transmission model or standard view of communication, information or content (e.g. a message in natural language) is sent in some form (as spoken language)

from an emissary/ sender/ encoder to a destination/ receiver/ decoder. This common conception of communication simply views communication as a means of sending and receiving information. The strengths of this model are simplicity, generality, and quantifiability. Social scientists Claude Shannon and Warren Weaver structured this model based on the following elements:

- 1. An information source, which produces a message.
- 2. A transmitter, which encodes the message into signals.
- 3. A channel, to which signals are adapted for transmission.
- 4. A receiver, which 'decodes' (reconstructs) the message from the signal.
- 5. A destination, where the message arrives.

COMMUNICATION NOISE

In any communication model, noise is interference with the decoding of messages sent over a channel by an encoder. There are many examples of noise.

- 1. **Environmental noise:** Noise that physically disrupts communication, such as standing next to loud speakers at a party, or the noise from a construction site next to a classroom making it difficult to hear the professor.
- 2. **Physiological-impairment noise:** Physical maladies that prevent effective communication, such as actual deafness or blindness preventing messages from being received as they were intended.
- 3. **Semantic noise:** Different interpretations of the meanings of certain words. For example, the word "weed" can be interpreted as an undesirable plant in your yard, or as a euphemism for marijuana.
- 4. **Syntactical noise:** Mistakes in grammar can disrupt communication, such as abrupt changes in verb, tense during a sentence.
- 5. **Organizational noise:** Poorly structured communication can prevent the receiver from accurate interpretation. For example, unclear and badly stated directions can make the receiver even more lost.
- 6. **Cultural noise:** Stereotypical assumptions can cause misunderstandings, such as unintentionally offending Jews by wishing them a "Merry Christmas."
- 7. **Psychological noise:** Certain attitudes can also make communication difficult. For instance, great anger or sadness may cause someone to lose focus on the present moment. Disorders such as Autism may also severely hamper effective communication.

ELEMENTS OF COMMUNICATION PROCESS

Communication is a process and as such contains many elements susceptible to defect. Following are the elements of the communication process.

1. A message: What needs to be communicated? The advertiser has to make sure that the message conveyed is coded in a language that is understood by the consumers and the target market in the same spirit in which it has been conveyed.

- 2. A messenger: The person who has something to communicate. In the case of marketing communications, the messenger definitely is the marketing firm which wants to convey all about the product and the other Ps of the marketing related to the product.
- 3. A receiver: The person who receives the message. In our case, it is the future prospect customer and the already converted consumer.
- 4. **Encoding**: Verbal and non-verbal convention of communication so that the message is received in the common language and decoded by the intended receptor only.
- 5. Decoding: Reading by the receiver after the decoding has been done by the receptor.
- Channel: The means of communication. We have already discussed channels in marketing in this chapter in the beginning and a detailed discussion on the channels will follow in the next section of this chapter where we will be discussing the marketing communication separately.

FUNCTIONING OF THE COMMUNICATION PROCESS

The messenger has something to communicate, a message. This message has intent. The messenger will encode his message with words, behaviour and body language that he senses will help him to best communicate this message according to his intent. The message will go through a channel, a means of communication such as e-mail, face-to-face or phone conversation, letter, presentation. The receiver will then decode the message using conventions, cultural or contextual background, and language skills. The message he receives might or might not meet the intent of the messenger.

The process we have discussed here seems a straightforward process—a message travels from point A to point B, but so much can go wrong at any stage of this process on account of the disturbances on the way Figure 11.2 above. A communication is broken (it happens most often) because interference occurs in the communication process. Here are some examples.

The Message can be Unclear

If the messenger uses words, expressions and non-verbal cues unknown to the receiver, or expressions typical of an area, slang which is not shared by both the sender and the receiver or too many acronyms, for example, the receiver might have trouble to decode the message and the whole process of sending the message is disturbed.

The State of Mind of the Messenger can Influence the Message

The receptor can have varied moods. Any expression or feeling of anger, frustration, joy, exhilaration, and frustration can all change the way the message will be received and perceived. The tone and the expression used to say a simple sentence as well as the body language accompanying the words can give a different shade of meaning. These disturbances play a role at the receiving end of the receptor as well. If the receptor is in a bad mood, he might perceive what is being said in a different way than when in a good mood, for example.

If a wrong channel is used for the content and intent of the message, it might get lost. For example, when a supervisor asks one of his employees to come and see him in his office, the message might not be perceived the same if communicated in person or through a note left on the employee's desk.

Those are only a few examples of disturbances and distortions of the communication process. They all need to be taken into consideration when communicating, especially in marketing, where communication can make or mar a company and its products. Being aware of all the steps in the communication process, and of the numerous possibilities of interference at each step, is important for all marketers to communicate effectively.

ELEMENTS OF COMMUNICATION

The elements of any kind of communication are as follows.

Process

It means that communication is a continuous process between two or more people and is ever changing, dynamic, and not a static process. This process of communication results in exchange of information and messages that act as catalysts for a change.

Message

The second element of communication is the message exchanged between two individuals. In this stage, the exchange of verbal and non-verbal messages takes place between two different individuals. They make use of the verbal words, body language, body gestures and other non-verbal vehicle. The companies may exchange their messages about the marketing of their product and services by using mass media. But exchanging message is not sufficient enough to be branded as communication. A mere statement by someone that "it is good weather today", may not mean anything unless the other person attaches meaning to the statement and acknowledges the meaning with sharing the same with the person who made the remark.

Shared Meaning

The third ingredient, i.e. shared meaning, is necessary to make the circle of communication complete. At this stage, the receptor converts the message into a meaningful exercise. The receptor of the message must be able to assign a meaning to the message communicated. This message, though, may be interpreted as per the relational history between two individuals involved in the communication of the message. This means that both the sender and the receptor of the communication must have had a common understanding of these words as otherwise these words will have no meaning for any one of them. That means in communication, the message sender and the message receptor must be connected to each other by way of shared relationship as otherwise the meaning of the message cannot be interpreted in the intended context. The assignment of meaning to the message is, thus, a relational way of defining communication. From this view, communication with each other and have known each other for some time. The communication is undertaken here not to simply fulfil the social talk but with a view to a relational context and finding meaning in the message in the same context.

MODELS OF COMMUNICATION

Communication cannot be fully understood unless we really make efforts to understand the theoretical models of communication propagated by the thinkers. The models will be able to comprehensively analyse as to what we mean by the relationship context and the contextual references. The definition, as explained above, basically makes reference to process, message and shared meaning. The three models discussed will enable us to understand this definition more clearly.

Mechanistic Thinking and the Linear Model of Communication

Linear model is based on the understanding that the communication is one way procedure and is conducted as the linear form of process. This model had been developed by Claude E Shannon, a Bell Telephone Scientist and Warren Weaver, a cancer research consultant from Sloan Cancer Research Institute. They both considered communication as a liner process in which the message has to pass through and is subject to many kinds of disturbances before it is understood by the receiver. The kinds of disturbances mentioned by them include physical noise, physiological noise, psychological noise and semantic noise.

Figure 11.3 describes the linear model of communication.

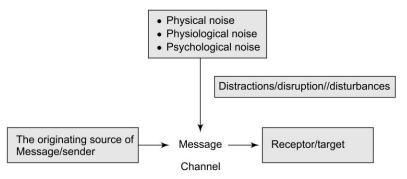


FIGURE 11.3 Linear Model

Linear model looks at communication as a single line one way communication process. This is based on the fact that the person to whom the message has been sent has heard the message and the communication has been completed, even though the message had been distorted due to following disturbances:

- 1. **Physical noise**, which may be external to the receiver. For example, if loud music is on, the person may not be able to hear properly as to what the other person (sender) is talking about.
- 2. **Physiological noise** refers to the physical conditions of the receptor, which may affect the reception of the message. For example, the receptor may be half asleep and may not pay attention to what is being said at that time.
- 3. **Psychological noise** refers to the mental position of the receptor when the message is being delivered. For example, the child may carry a feeling that the parent is always prejudiced towards him and will block all verbal communication from the parent thinking it could be

a rebuke, as often. The message, hence, will not be received in the same meaning and spirit in which it was originally communicated by the sender parent.

4. **Semantic noise** is the position when the sender and the receiver do not draw the same meaning from the message. It could come due to both the ends not being on the same level of understanding, using different language and technical words, symbols, and gestures. For example, a communication between an adult and a child could suffer from such distortions or even a communication between a learned person and an illiterate receiver could result into semantic distortions.

Context

Linear model also believes that all communication takes place in some context. Context refers to the atmosphere in which communication takes place. The contexts could be the following:

- 1. **Physical context:** It means the physical evidence in which the communication takes place. For example, an exchange of communication taking place in a moving train compartment (where the doors of the compartment are open and the noise of the grinding wheels of the train makes hearing and receiving impossible) will vary from the serene atmosphere of an air-conditioned five-star restaurant.
- 2. **Cultural context:** Each culture has its own norms of social behaviour, dos and don'ts, traditions and expectations that govern the communication between the members belonging to the culture. For example, the communication between different sexes is subject to many social taboos and rules in many societies. Hence, the cultural context in such societies adds an altogether different meaning to the exchange of communication between a man and a woman.
- 3. **Historical context:** It refers to the fact that all communication is assigned meaning in relation to the previous communication that has already taken place. Thus, the meaning from the messages is inferred on the historical perspective. That is why as we have seen how a child draws meaning to the parents' communication to earlier admonishments.
- 4. **Socio-emotional context:** It draws upon the kind of emotional and social attachment that exists between the sender and the receptor. The term 'social' refers to the levels of relationship, e.g., parent-child relationship, boss and junior relationship, neighbourly relations or mere acquaintance, and mental and emotional attachments help individuals draw meanings from the communication. If the receptor does not think highly of the sender, he may block half the message because of the bias carried in thinking and mindset.

The linear model, it appears, lays emphasis only on one way of communication and treats the delivery of message as the completion of the communication process. But we all know communication, in reality, is a two-way process.

Interactional and Feedback Model of Communication

This model had been developed by Wilber Schramm in 1954. Wilber believed that communication is a two-way process. If the sender sends the message, the process gets completed only when he has received the feedback or the confirmation from the receptor that the message sent has been received and understood in the manner it was intended. Thus, the feedback model treats communication as a two-way process, i.e., the sending of the message and its receiving by the target is one way and

the confirmation of receipt by the receptor is another way. Communication gets completed only after the feedback cycle has been completed, as shown in Figure 11.4.

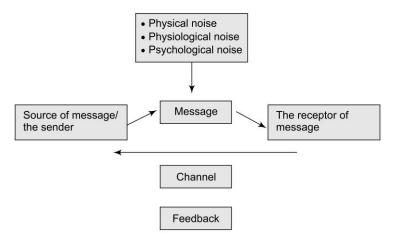


FIGURE 11.4 Interactional and Feedback Model of Communication

The model is an extension of the linear model of communication wherein it definitely understands that it is important to get feedback about the communication being received by the receiver in the right perspective. But the model has been criticized on the grounds that if the meaning is not shared by both the communicator and the receptor, the whole exercise of conveying a message becomes futile. The feedback sent later is too late a reaction to understand the deficiency of the meaning understood. The thinkers then developed the transactional model, which is based on the belief that communication is a transactional experience, where the sender and the receptor participate at the same time and they share the meaning of the messages sent.

Transactional and Shared Meaning Model of Communication

This model believes that communicating and receiving of the message in interpersonal communication happens simultaneously and is reciprocal (Barnlund 1970). As per this model, it is the cooperative communication where the meanings are shared. This sharing may come on account of the fact that both the sender and the receptor belong to the common platform of culture, society or heredity of past experiences. Hence, the communication is cooperative and it offers the experiences of shared meanings. Figure 11.5 illustrates the model in detail.

The transactional model believes that the communication is built upon each other and that all interpersonal messages overlap each other and the meanings are shared. Hence, this model is also called the interactive model of communication, where the interaction takes place simultaneously.

MARKETING COMMUNICATION

Marketing communication can be defined as the efforts to reach out the customer target market for the products and services by making use of cues and other elements of marketing communications



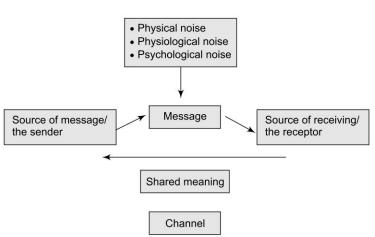


FIGURE 11.5 Transactional and Shared Meaning Model of Communication

to create positive response from the target market audience and, at the same time, encourage seeking feedback for cementing long-term relationships with the target market for better product development and services. This, of course, means that the customer communication for any marketing firm has to be a two-way process of sending as well as receiving of the messages. The marketing firm communicates about its products, prices and place of distribution to the customer by way of advertisements, campaigns and other communication tools, and the consumer of the firm's products communicates back with the firm by providing feedback, cues on the performance shortfalls, expectations by the use of the information tools and marketing research systems set up by the marketing firm.

ELEMENTS OF MARKETING COMMUNICATION

Companies are able to establish a strong market presence only if a regular communication flow takes place between the company and the customers. Merely making the product available in distributional channels, shopping malls and other channel resources will not be able to get the product sold. The marketing company has the responsibility of communicating to the customers about the product and its availability, about its price, about its expected performance and also about its ability to meet the customers' needs. In other words, the scope of marketing communication is not restricted to the traditional elements of promotion mix of personal selling, sales promotion, advertising, public relations and publicity. The marketing communication is net customer and the company carries on till the feedback from the customer is received on the product performance. The elements of marketing communication mix in the modern context are different from the traditional concepts of promotional tools adopted by the marketing firms. The traditional tools focused mainly on the sales promotion whereas the marketing communication, in the current context, emphasizes to build up long-term, two-way communication to build up long-term relationships with its customers:

1. Product as an element of marketing communication

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- 2. Price as an element of marketing communication
- 3. Place as an element of marketing communication
- 4. Promotion mix as an element of marketing communication

We discuss each element of marketing communication separately here.

Product as an Element of Marketing Communication

The product directly communicates with the customers as it carries different kinds of messages to the customers. The media used by the product pertains to the design, colour, size and shape of the product. The product tries to differentiate itself in its communication by its designs, features, brand name, quality associations, labelling and packaging. A product becomes a living being consistently communicating with the customers when it is adorned with the brand, labelling, packaging and the manufacturer's/marketer's name. The product communicates with the customers through its different element that give it a complete product personality.

Product Personality as an Element of Marketing Communication

A product, as we have mentioned earlier, becomes a completely identifiable, only one of its kind personality on account of the augmentation features attached by producers to the products. The elements used by the manufacturers to position the product and differentiate it from other similar products give the product a unique personality and the product gets a name and an identity when it is christened and branded by the manufacturers. The elements that give the product its complete communicating personality are:

- 1. The physical features of the products that include design, material, size, shape, precision and final finish.
- 2. The manufacturing company's name and the brand name of the product.
- 3. Packaging, colour scheme, size, design, labelling and the information provided on the labels.

The product elements act as the source of information to the consumer and hence these are the messages from the manufacturer to the consumers. These product features act as the channels of communication too between the marketing company and the consumer. Each feature helps the customer establish a relationship between the product and the need of the customer and thus, in the process, it becomes easy for the customer to form a perception about the product and the marketing firm in his mind. We discuss below the level of communication established with the customer by each feature.

Communication Through Physical Features of the Product

The tangibility of the product communicates with the customer. When the customer looks at the product, holds it and feels it, there is an instant communication established between the customer and the product. The physical features are then noticed by the customer one by one. He may get interested in the colour, design, shape or even the packaging and labelling to know more about the product and the manufacturer. The performance of the product and its ability to satisfy the customer need will come much later. It is the feel, the touch and the visual appearance that establishes a communication with the customer.

Communication Through Packaging of the Product

The package on the product acts as a silent salesman in the shopping malls, shop in shops, counters, racks and the displays thereon. The package is the first contact point between the seller and the buyer. All the information provided on the package—invites the customer to have the first look at the product; hence, package is the direct communication mode the manufacturer adopts to communicate with the customer. The message then is conveyed by the information provided on the labels used in the package.

Communication Through Colour Used in Package

Use of a colour in product packaging conveys different kinds of messages. Colours are used by marketers to convey health, happiness, sobriety, affiliations and, of course, prosperity. Colours are able to convey to the customers what many words fail to do. Marketers make use of the colour psychology to elicit response from the customer in a variety of ways. Colours are used in advertisement, images on the packaging, and messages boards, hoardings, and other communication tools like stationery, product catalogues, brochures, and fliers and even on the Internet message tools. Psychologists have assigned different kinds of people reaction to their exposure to colours. It has been observed that red and yellow colours are the colours that grab the attention most. Currently, green colour is associated with the preservation of the environment and the nature. White colour is always associated with purity and innocence. Blue is associated with prosperity and is the colour used in many currencies. Banks often use the blue colour in their logo. Yellow is a colour that is often associated with the religious ceremonies in the east. Food packets also use yellow in their packings. The packet of tea leaves use green colour to convey freshness in their products. The use of colour many times help identify the target age group to whom the marketers want to communicate their message. The marketers of toys and children garments often make use of bright colours so that children may like them. Women customers like pastel shades. Pink and cream shades are used by the marketers of beauty products to convey the liking of soft colours by the ladies. Gentlemen prefer the use of passive colours like grey, brown, white, black.

Communication Through the Package Design

The design, size, shape, and material used for the package communicate with the customers at many levels. The messages printed on the package, the visual used and the placement of the product name and the brand name each communicate with the customer. A bad package will fail to sell the best of the products; hence, manufacturers prefer using appropriate and attractive designs for their packages.

Communication Through the Brand Name

Manufacturers attach greater importance to brand names to communicate with their customers. A brand can communicate about the product and its quality to the customers more effectively. It can communicate about the marketers and manufacturers from whose manufacturing plants the products have been introduced in the market. The brand becomes a total experience that the customer will have with the product. Thus, the brand becomes the distinctive factor that differentiates one product from another. Tata, Birla, TVS, Bajaj, Kirloskar are some of the names that are associated with family brands. Their names evoke respect and trust for the quality production and products maintained by these groups in their product mix. A brand must help the customer in identifying

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what kind of product it is and what kind of positive benefits the product provides. The brand names, many times, carry a tag line or a slogan to support the recall value in the mind of the customer. Exhibit 11.1 shows top ten brands in India.

Exhibit

TOP TEN BRANDS IN INDIA, BOTH FOR THE PRODUCTS AND SERVICES

Rank	Top Ten Brands In India (2008 Economic Times Brand Equity)	Top Ten Service Brands In India (2008 Economic Times Brand Equity)
1	Nokia	L.I.C.
2	Colgate	Airtel
3	Tata Salt	State Bank of India
4	Pepsodent	Reliance Mobile
5	Ponds	BSNL
6	Lux	Tata Indicom
7	Britannia	Indian Oil
8	Dettol	Hutch/Vodafone
9	Lifebuoy	ICICI Bank
10	Vicks	Bank of India

Sources: India's Most Trusted Brands – 2008, Economic Times' Brand Equity, Wednesday, June 11, 2008, http://marketingpractice.blogspot.com/2008/06/indias-most-trusted-brands-2008.html 17 April, 2011.

Communication Through the Company Name

A brand is the entire experience the prospects and customers have with the product and its company. A brand to a customer is what the product and the company stand for. It is a promise the marketing and manufacturing firm makes and the personality it wants to convey to the customer about the product and about its own philosophy and mission in the marketing of the products. The companies want to associate the positive customer response with their names because every time they introduce a new product, it becomes easy to gain customer acceptance. We have seen how, for example, Godrej and Tata convey a complete trust and quality assurance to the customers in India.

Price as an Element of Marketing Communication

Prices of the brands and products communicate much more than the mere figures mentioned in rupees or dollars to their customers. At the customer psychological level, the price of the product can establish the following communication:

- ▲ Price is an indicator of quality.
- ▲ Price is an indicator of the product brand status and positioning.
- ▲ Price is an indicator of technological and innovative leadership.
- ▲ Price is an indicator of the manufacturer understanding the customer need and its intensity.

Price is an Indicator of Quality

It means communicating the competitive perception of the quality through the levels of price determined by the manufacturer, in a market where several brands compete with each other without much visible distinction. The price in such a situation becomes the only cue of deciding on the quality of the products. The higher price in the market is often taken as the indicator of better quality and the lower price indicates that the manufacture wants to sell higher volumes and hence may not be that careful about the quality expected by the customer. It has often been observed, particularly in the case of readymade and fashionable garments, that the low priced dress is not picked up by the customer because he thinks that low quality of material must have been used by the designer.

Price is an Indicator of the Product Brand Status and Positioning

The consumer perception and the status of the product and the brand are directly connected to the selling price of the product. Products with high priced tags, exclusive, luxury, and fashion products are able to maintain their charm and acceptance in the market due to their being priced out of the reach of the common people. Cars like Mercedes, Hyundai Sonata, B.M.W. and other luxury automobiles offer a distinct and enviable status to their owners. These luxurious products convey so by way of their being high priced and out of the reach of the common customers.

Price is an Indicator of Technological and Innovative Leadership

Manufacturers communicate about their technological superiority and better quality of their products by way of their product positioning and pricing of the product. The cue is given to the customer about the expected superior performance of the product by keeping the price of the product higher than the competition in similar range of products. For example, a High Definition Digital Television will definitely be priced higher than the normal television to convey the technological superiority of the product to the ordinary customer for whom all televisions may be performing the same task.

Price is an Indicator of the Manufacturer's Understanding the Customer Need and its Intensity

The customer expects the manufacturer will understand his need and its intensity, and will convey back the understanding by way of not only giving the right product but also by positioning and pricing it correctly. The customer of lower segment car market knows it full well that any innovation in the segment has to be within the affordable range and cannot be exorbitantly different from the current price range. The manufacturers convey their understanding of the need of the customer by offering to them the rightly priced products. This psychological communication between the marketer and the customer takes place in a subtle silent way by offering cues and commitments and not necessarily by being more vocal. The right pricing strategy will bring the manufacturer closer to the customer in his expectations of the quality and other offerings associated with the product offer.

Place as an Element of Marketing Communication

Customers do not buy products alone. They buy convenience of the place. They buy the image of the seller. The customers buy the perception of the products and of the seller that they have framed in their own mind. The customers buy the perception that the seller wants to project to them through

various communication cues adopted by him in selecting his channels of distribution and making the products available to them. It has often been observed that the customer prefers going a few miles away from his place of residence or work for a retail seller or a retail seller where he has been treated well and where his merchandise mix is available in a large variety. The success of many shopping malls situated away from the main towns and cities and on the outskirts can be attributed to the fact that they have been able to communicate to the customer a better perception. They have offered to him the convenience of shopping in an atmosphere that offers him the perception of a shopping experience that is closer to his heart. The marketers communicate to the customer in the following ways in the selection of their channels and channel partners:

- 1. Communication through the retail store image
- 2. Communication through the retail store merchandizing
- 3. Communicating through the image of channel partners

Communication Through the Retail Store Image

The retail stores where majority of the products are offered by the manufacturers for sale to the customer's project communicate an image of their own, which is distinctly different from the image of the product manufacturers. This image of the retail store is formed by the respect and loyalty earned from the customers over a long period of services rendered by it. The image is also earned by way of communicating with the customer through the location of the store, the external décor and the show, display of the merchandise, the sales staff, the product mix and the baskets of merchandise carried by the store. Communication is established by way of value addition services offered by the store, in addition to the regular services of products selling. Communication with the customer can be established by the pricing and discount policies adopted by the store. The retail store can institute a formal customer relationship management system and the reward systems to honour the loyalty of their customers. The stores décor, the point of purchase information and publicity material, and the customer help desk all contribute to the store communication with the customer. The stores that carry a large inventory of the latest and in fashion merchandise convey the image of a well stocked and well informed store. The Big Bazaar in India can be an example of the communication of a store that is well stocked with the generally affordable priced items and merchandise, whereas a store like The Shoppers Stop conveys an image of a high class exclusive store.

Communication Through the Retail Store Merchandizing

A customer visits a store to meet his need of the merchandise. Everything else will not matter to him if the store fails to provide him the merchandise required by the customer. The customer may later on change his option of the product, but it is essential that the store offers him the choice of his own desire. The store merchandise spells out to the customer about the category of customers expected by the store. It communicates to him the kind of manufacturers, brands and the designers who have been partner to the business of servicing the customer in this store. Many companies today open up their own exclusive stores so that their merchandise gets full and undivided attention of the customer when he comes out to buy their products. Some of the stores offer their own brands of the merchandise to the customers in addition to the regular brands of other manufacturers. All these merchandising strategies have been adopted by the stores to offer and communicate a better merchandising value to their customers.

Communication Through the Image of Channel Partners

A store is the place where not one but many kinds of manufacturers' goods, wares and products are put on the display. While it is true that the store has its own image, to a large extent, the image is also earned by the kind of manufacturers represented by the retail store. The manufactures that customers can trust and have faith in are able to add on the same image to the store too. In many cases, the name of the stores is enough to help the customer recall the merchandise that will be available at the store. In the same way, a customer may recall only the manufacturer and the brand and may not pay much attention to the store identity. Raymond's, Hyundai and Ford are some of the names that may add value to the retailer more than the rub off that a retailer can provide to these brands.

Promotion Mix as an Element of Marketing Communication

Promotion mix, consisting of the following four different components, communicates with the customers at many levels through in-store, outdoor, electronic, print and many other forms of communication modes. The major elements that constitute a promotion mix are:

- 1. Personal selling
- 2. Advertising
- 3. Sales promotion
- 4. Publicity

Figure 11.6 shows the elements of promotion mix and the customer for and with whom communication is undertaken by the elements of the promotion mix.

We will discuss all these components as elements of communication.

Personal Selling as an Element of Communication

The act of personal selling refers to eventually persuading the customer to buy the product offered for sale at the retail stores or at any other point of purchase. The modern stores and shopping malls are a kind of self-display and self-advertising points of purchase and it is often argued as to how much can a salesperson

communicate about his products. The salesperson has to understand that despite such elaborate displays of the products in his store, there is a need to communicate with and inform product knowledge to the prospects. He has to communicate the product knowledge for promotion of sales through his store. Personal selling is an important mode of communication for any marketer, as it gives the seller an opportunity to come directly face-to-face with the customer. It gives the manufacturer and the marketer an opportunity to understand at first hand the need of the customer, know all the desires and the expectations of the customer and accordingly match the products and services to the need of the customer in order to satisfy him.

The occasion of personal selling is the time when the customer comes face-to-face with the salesman who can speak about the products offered for sale by the manufacturer. The customer gets an opportunity to obtain knowledge about the product from the well informed source of information. The communication so established between the salesman and the customer on the personal front





establishes a long-term communicative understanding. Personal selling takes place at the retail stores, shopping malls, and other points of purchase. The salesman selling products has to educate the customers on the merchandise available in the store and inform them about many other facts about the merchandise which will enable them to reach a decision on the purchase of the products. Product knowledge for the salesman is a very essential tool to be equipped with. This product knowledge will enable him communicate better with the customers. The communication with the salesperson can reveal to the prospects how and what they will gain by buying the products.

Advertising as an Element of Communication

Advertising refers to non-personal paid communication which is addressed to unknown numbers of customers with the purpose to persuade and obtain the desired set of actions. Advertising has been defined as any paid form of non-personal public spread of communication by an identifiable source to obtain the desired response. Advertising uses mass media in order to communicate with customers and to persuade them to buy the products. Advertising plays the role of a facilitator in consumer decision-making. Advertising can, however, influence and cannot be persuasive. It can influence the decision-making of the customer in the following different ways:

- ▲ Advertising influences the consumer decision-making, to pioneer product demand.
- ▲ Advertising communicates to take away customers from competition.
- ▲ Advertising communicates to retain the loyal customers.
- ▲ Advertising communicates to generate preference and insistence for product demand.

The objectives of advertising have been explained in Figure 11.7, which vary from the generation of the need to providing information to the customer about the availability of the product to satisfy the need.

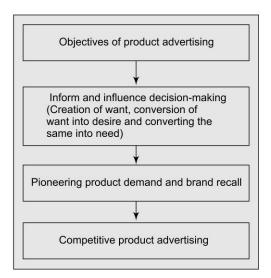


FIGURE 11.7 The Objectives of Advertising

Communicating Through the Product Advertising

Marketers and advertisers use product advertising with the intention to generate demand for their products in the identified segments. The companies make use of the product advertising in two ways depending on what kind of action is desired from the buyer customer group.

Communicating Through the Direct Action Advertising

It exhorts and influences the customer to take a buying decision immediately. All advertisings that suggest price reductions, special discounts, special offers, schemes, campaigns, contests, offseason offers, etc. are direct action advertising communications, undertaken with the intention to influence and encourage the customers for immediate buying action.

Communicating Through the Indirect Action Advertising

Advertising is undertaken by the organizations to create and sustain a favourable customers' perception about the product. The advertising by way of indirect action creates a favourable association with the brand and makes the customer accept the same against his current and future needs and demands. It tries to create a desire in the mind of the customer about the product which, at a later stage, will get converted into the direct action for the purchase of the product and the brand. When Hyundai cars show the film stars driving and recommending their new model of Santro car, the company is creating an indirect communication with all segments of their customers and future buyer prospects. The marketer wants to create a brand image and a positive reinforcement in the mind of the customers by way of indirect advertising.

Communicating to Pioneer Product Demand

The advertising informs the customer about the product and its capability to satisfy his needs and wants. The advertising communication seeks to render information on the new product, the information on the usage, price, availability, and the competitive positioning of the new product to enable the customer take a decision.

Communicating by Way of Competitive Product Advertising

Advertising communicates with an objective to win and take the customers away from the competitors' brands and then shift them to the advertisers' brands. Such advertising is undertaken (generally at the growth stage of product life cycle) to communicate to the customers the facts about the product and also the advantages and benefits that will accrue to him if he switches to the marketers' products from the competitive brands. This way, the whole purpose of competitive advertising communication is to create brand preference for the advertiser's products and brands.

Communicating by Way of Reminder Product Advertising

Communication is undertaken by the advertisers to retain the existing customers and encourage loyalty for his products and services among his consumers. The advertisers will undertake repeated advertising campaigns, reminder advertisements in order to keep the name of the firm and the brands fresh in the mind of the customer and keep the customer aware that he has to prefer the advertiser brand for his next purchase.

Sales Promotion as an Element of Communication

Sales promotion is undertaken by the marketers to promote sales of the products at the retailers end and at other sales points. The manufacturers manage to communicate with their customers by way of personal selling, but the contribution and importance of sales promotions cannot be denied and overlooked. "Sales promotion refers to all those activities that are directed at inducing, stimulating and motivating the customers to purchase more, at the manufacturers' salesmen to sell more, at the middlemen and their sales force to promote better sales of company's products and services".⁴ Thus, in a way, sales promotion is a communication activity undertaken by the marketers to promote products and brands to the customers and to the middlemen. Sales promotion at various levels of selling is done by the manufacturers in the following way.

Manufacturer's Sales Force and Communicating the Sales Promotion

Sales managers communicate to their own staff to promote their products before they expect their salesforce to go and communicate the same to the customers. The methods adopted by the sales managers to motivate the sales force are as follows:

- (i) Training of the sales force: The salesmen are trained into counter display, customer callings, managing and handling middlemen contests, shop in shop contests, different kind of consumer contests, schemes, and gift coupons.
- (ii) Salesforce sales contests: Different awards, prizes, incentives, honours and certificates are awarded to the sales force for their achievements.
- (iii) Salesforce sales meetings and conferences: Manufacturers organize sales conferences, sales meetings, to inform them about their new products, innovations in products and product mix, customers changing behaviours and the ways and means to satisfactorily sell more and more of the products to the customers.

Middlemen and Communicating the Sales Promotion

The manufacturers have to ensure that the communication reaches to the customer from all fronts wherever the customer is likely to come in contact and ask for his products. The middlemen or the sales channels and their sales force need to be communicated about the sales promotion policy of the company, the salient features of the product, the distinctive features of the brand and the ability of the product to meet the customer needs effectively and satisfactorily. The manufacturers do it in the following ways:

Communicating Through Direct Mailers

Bulk mails addressed to the middlemen and their salesmen. The material includes the product catalogues, publications, hand outs, calendars, thank you cards, and many other personalized greetings.

Communicating Through Point of Purchase Promotion

Manufacturers and marketers communicate through the advertising and sales promotion material displayed prominently at the point of purchase where the customers come and visit for their purchases. POP material is specially designed and created for effective display and dispersal of the information about the products to the sales force of the middlemen and their visiting customers. Manufacturers provide the sales points with posters, danglers, banners, stickers, strips, glow signs, price cards, displays, in store boards and many more such point of purchase advertising material to communicate about the products.

Communicating Through Trade Shows and Exhibits

Marketers and manufacturers organize trade shows, exhibitions, fairs, melas, and trade meets to communicate with the middlemen and tell them regarding what to speak and communicate to the customers.

Communicating Through Contests, Premiums and Gifts

Promotional tours, premiums, gifts, awards and rewards are all communicative methods adopted to establish a positive communication at the level of the middlemen and their sales force to establish better communication network to give positive information to the customer about the products.

Customer and Communicating the Sales Promotion

The tools adopted by the manufacturers and marketers to communicate with the customer about the sales promotion of the products are quite a bundle, full of varieties. The marketers resort to both direct and indirect communication to speak to their customers about their products.

We have so far seen above the indirect way of the communication adopted by the marketers. We give hereunder some of the methods adopted by the manufacturers and marketers to regularly communicate with their customers.

Establishing Communication Through Consumer Contests

Companies, marketers, manufacturers find many ways to directly establish contact and communicate with their customers. Companies make use of the media to reach and ask for response from their customers by way of contests, competitions, games and many other attractive games offers. The customers are asked to write jingles, spots, slogans for their products' advertisement. The customers are also encouraged to send back the coupons attached to the advertisements inserted by the marketers about the products and events. The customers are motivated and attracted to send back SMS or emails to the marketers so that the data bank of the customers and the potential customers can be developed by the marketers.

Establishing Communication by Way of Offering Consumer Premiums, Trading Stamps and Free Offers

Marketers take recourse to many kinds of deals to promote their products and also to stay in touch with their customers so that communication with their customers is established as an ever going process. Marketers offer tie in deals on their products, discount for the tied-in products, free subsidized samples, on call sample offers, and many other deals such as price off offers to make sure the customer is induced to buy the products. The prospects and those customers who have not purchased this time at least will recall about the company's brands when they hear about the deals being offered on the company's brands.

Establishing Communication Through Advertising Giveaways

Companies plan all kinds of give away, free items, i.e., wall calendars, table calendars, table tops displays, diaries, caps, tea shirts, novelties, matchboxes, key chains, pens, bottle openers, books, toys, sets of glasses, and many other such fancy items to be given to the clients and customers. These free gifts will carry the printed brand, product message on them and act as reminders to the customers every time they look at and make use of these gifts from the companies. This helps the company add a long lasting recall value to their product mix and hence create regular demand for their products.

Communicating with the Customers at Consumer Fairs

Consumer fairs are also known as trade fairs. These trade fairs are organized either by the companies themselves directly or are sponsored wherein many companies participate together. Trade fairs are organized as trade exhibitions, consumer shandies, free check up camps, consumer meets, and also as consumer education conferences. In India, exhibitions such as Good Living Exhibition, automobile manufacturers check up camps, village fairs by many of the tractor manufacturers all are examples of the consumer fairs, where the marketers communicate about their products and other services to consumers.

Establishing Communication Through Consumer Education and Service

Companies print many kinds of literature, brochures, product catalogues, product usage instructions, product manuals, recipe and cooking books, customer information advertisements in trade magazines to communicate with their customers. The companies organize consumer contact programmes, seminars, meets and other customer education activities to get in touch with their customers. Lakme's beauty class, Prestige Cooker's cooking classes, Bombay Dyeing's beauty pageants are the classic examples of such customer communication.

Publicity as an Element of Communication

Companies use publicity and public relations as support systems to communicate to the current customers and to the future prospects about the companies' activities, about their corporate social responsibility and about their products. Such communication may get exposure in the media both as unpaid insertions, and command more credibility from the customers as compared to the paid form of advertising. Public relations is undertaken by the organizations to create a better image of their corporate vision, mission, plans, and strategies among the common public even though not all the members of the public could be the actual buyers of the company's products. The companies manage their public relations, planting positive stories, publishing in house and for the common public some of the corporate communications and lobbying at the right quarters of the press, media, government, banking and many other fiscal and buyer institutions that can affect the working of the companies.

Publicity is managed by the organizations by gaining positive reporting and perceptions of its products, events, happenings, brands, persons, ideas, innovations, and activities. The free media coverage by the press on the annual events, general meetings, product launches, dealer meets, internal conferences, trade meets, etc., are all examples of establishing customer communication by publicity.

ESTABLISHING PROMOTIONAL STRATEGY AS A COMMUNICATION TOOL

We have discussed above each element of promotion mix in their individual capacity. But a marketer cannot communicate effectively by using each element in its isolation. The marketer has to make use of each element as an important part of the communication strategy to maximize the following three response stages form his consumers depending on the stage of the product life cycle in which the communication is being addressed to the consumer. The marketers can expect the following

three types of consumer response from the communication strategy based on the life cycle stage of the product:

- 1. **Cognitive response**: This is the stage which happens in the earlier introductory stages of the product life cycle. During this stage, the marketer wants to provide knowledge to the consumers about the products introduced and create awareness about the products. At this stage, most of the communication must take place keeping in view the fact that the customer will need the decision-making support system by way of seeking more and more knowledge about the product and its other features.
- 2. Affective response: This stage arises when the consumer has to move from the introductory stage to the acceptance and preference stage of the product life cycle.
- 3. **Behavioural response**: This is the stage when the consumer is eventually convinced and he exhibits positive response towards the products and other communications of the marketer directed towards him.

The promotional strategy of the marketer will accordingly be based on the kind of response he expects form his universe and all the elements of promotion mix will be used by him in various proportions accordingly.

Factors Affecting the Promotional Mix Strategy

The marketer will have to take into account all those factors that can affect the expected outcome of the promotion. The promotion will have to be strategized in such a manner that neither the marketing firm ends up spending more than necessary resources nor does it fail to gain the advantages of the promotional campaign planned by it. The factors that will affect the marketing firm's promotional mix decision are listed below.

Budgetary Decisions

The marketing firm will have to decide as to how much should be spent on the entire promotional communication and promotional strategy. It cannot be an arbitrary decision nor can it be an exact scientifically foolproof budgetary exercise. The marketing firm will have to take a decision on this front out of the following choices available to it:

- 1. **Funds available**: this is based on the promotional funds that the marketing firm can afford. It will like to spend more on promotions if it can afford to do so. In such a situation, cashrich firms will have better access to consumers to communicate whereas firms facing cash crunch may not be able to spare funds for promotion.
- 2. **Percentage of sales**: The marketing firm sets aside a percentage of the sales revenue expected by it as the budgetary provisions for the promotional expense. The expense is also, many times, taken as the cost included in the product sales price and is not considered a separate liability on the marketing firm.
- 3. **Matching the competition**: A marketing firm tries to match its own budget for promotion with that of the next competitor and works out a strategy either to follow the competition or lead the competition.
- 4. **Setting up objective budget**: The promotion budget is set up keeping in view the objectives of the promotion strategy being followed by the marketing firm. The marketing firm

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(a) defines the objectives to be achieved by the promotional campaign, (b) sets up the tasks and (c) allocate the budgets for each task separately.

Nature of Product/Nature of the Market

The marketer will have to make use of the marketing mix elements, depending on the nature of the product and the nature of the market in which these products will be sold by him. A marketer selling Fast Moving Consumer products will have to make use of mass media e.g., the electronic media and the newspaper/print media in order to reach the large segments of his consumers. The marketing firm dealing in fashion and exclusive products will have to organize, besides the media mentioned above, many kinds of exhibitions and fashion shows in order to communicate with its prospects and customers. The industrial products require that the marketing firms rely more heavily on the personal selling as it will provide an opportunity to the seller and the customer to come together and understand the need of the customer more precisely.

Similarly, the marketing firm will have to take into consideration demographic, cultural and political, social profile of its market and customer base while taking a decision on the promotional mix to be adopted for its strategy implementation.

Push Strategy or Pull Strategy

The marketing firm's promotional strategy we have discussed above will depend upon the maturity of the market and also on the product life cycle stage from which the product is passing through.

Push Strategy

At the initial stage of introduction, the marketing firm will have to rely more heavily on the trade channels' support for pushing the products to the reluctant customers. The trade channels will have to be persuaded by the sales force to stock more of the marketer's products so that the visibility to the customer increases and the products get pushed for acceptance by the consumers. Figure 11.8 exhibits how the marketing firm makes use of the wholesalers and retailers to promote and stock his products to the customers. Products with lesser consumer awareness and weak demand need such type of strategy to push the products to the consumers by way of introductory support from the trade channels. Push strategy is also adopted in products that have pre-identified market segments to cater to e.g., the medical and pharmaceuticals, automobiles, heavy equipment and machinery, capital goods, industrial products and institutional products are sold by adopting push strategy in the market place.

The Pull Strategy

This strategy involves making use of the mass media to create better brand awareness and reaching the mass market when it is not possible to personally reach the large segments of consumers. Fast moving consumer products, white goods e.g., televisions, washing machines, music systems and entertainment products need to create demand for their products before the distribution channels agree to stock these products. Hence marketing firms dealing in these products make use of the mass communication media e.g., television channels, other electronic media, radio, outdoor media, print media to reach their targeted market segments. The pull strategy will create awareness, interest and desire about the product amongst the consumers by making use of the mass media. The consumers enquiry so generated will be persuading the middle channels to stock such products as they would

not like to lose the business opportunity available. The pull strategy as such involves all those activities that can pull the attention of the customers and bring them to the distribution channels asking for the products.

Figure 11.8 explain the pull and push strategy mechanisms, explaining the importance accorded to each segment by the marketing firm.

Push Strategy	Pull Strategy
Marketer pushes and promotes	Marketer promotes A B Wholesaler C C Consumer D A C C Consumer D C C C C C C C C C

FIGURE 11.8 Pull and Push Strategy Mechanisms

The pull strategy makes use of the advertising and mass promotional campaigns to create the demand of the products at the consumer level, which, in turn, will go to a retailer and demand the product so advertised by the marketeering firm. The retailer so impressed by the customer demand, will ask the wholesaler to arrange the supply of the advertised products for him as he will not like to lose the sales opportunity from any of his customers. The wholesaler will perforce have to find out the marketing and manufacturing source of the product to keep the supply line available to his retailers.

Buyer Readiness to Buy

We have discussed above the level of the market maturity available to the marketing firm. In a matured market where the resources available to the marketer are of much higher quality, the buyer readiness can be achieved much easily in the earlier stages of the product introduction. In a market still in its infancy, the buyer readiness may have to pass through its traditional successive stages of buyer's awareness, to creation of buyer's interest, and from desire to eventually leading to the decision of buying the product. Such successive stages will definitely need greater use of all the four elements of promotion, e.g. advertising, personal selling, sales promotion and publicity, but the emphasis will always remain on heavier dose of personal selling. The buyer will have to be virtually pushed to take the first decision of buying the products by regularly following up by the field sales force and the trade channels.

Product Life Cycle Stage

Consumer communication strategies will also depend on the product life cycle stage of the products in the market. In the introduction stage of the product life cycle, a company needs to advertise the product quite extensively in order to create an awareness among the consumer segments identified by the marketing firm. The marketing will also have to make use of other promotional tools, e.g. publicity and sales promotion. The sales force, in the meanwhile, will be depending on the push strategy to gain better display and visibility at the trade sales counters and other point of sales in order to get the customer acceptance for the new introduction.

The marketing firm will be making greater use of advertising and publicity tools to promote the products at the growth stage when the firm will be carrying out campaigns for the customer as well as the trade information and involvement. The marketing firm will also be deploying more sales force for the personal selling of the product to take the maximum advantage of the growth in demand.

The marketing firm has to give more incentives, schemes, price off offers, tie-in offers and counter display contests to remain visible in the market during the maturity stage in order to extend the product demand curve for a longer product life. At the decline stage, some of the firms continue with the push strategy in order to move the product to the trade and subsequently to the customers till eventually the product demand fades off and the product is consigned to the annals of history and the new innovation replaces the product.

SUMMARY

- The term 'communication' refers to the act of holding meaningful discussions among people.
- In marketing terms, communication means sending messages to internal and external customers, prospects, associates and other general public by way of face-to-face talk, in writing, by electronic channels, by way of silent sign languages and even by the use of body language.
- Marketing communication can be defined as the efforts to reach out the customer target market for the products and services by making use of the cues and other elements of marketing communications to create a positive response from the target market audience.
- The tools used in marketing for communication with the consumers are personal selling, advertising, sales promotion, publicity and public relations.
- Companies use a mix of these tools to communicate with their internal and external customers.
- Product directly communicates with the customers as it carries different kinds of messages to the customers.
- The media used by the product pertains to the design, colour, size and shape of the product. The product tries to differentiate itself in its communication by its designs, features, brand name, quality associations, labeling and packaging.
- The price of products communicates much more than the mere figures mentioned in rupees or dollars to customers. Price is an indicator of quality, brand status and positioning, technological and innovative leadership, and indicates the manufacturer's ability to understand the customer need and its intensity.
- Place is also an essential element of marketing communication as customers do not buy products alone. They buy convenience of the place.
- The marketers communicate to the customer through the retail store image, the retail store merchandising, and through the image of channel partners.
- Personal selling refers to eventually persuading the consumer to buy the product offered for sale at the retail stores or at any other point of purchase.

- Advertising uses mass media in order to communicate with its customers to persuade them to buy the products.
- Advertising plays the role of a facilitator in consumer decision-making and influences the decision-making of the customer to pioneer product demand, to take away customers from competition, to retain the loyal customers and to generate preference and insistence for product demand.
- Sales promotion is a communication activity undertaken by the marketers to promote products and brands to the customers and to the middlemen.
- Some of the tools adopted by the manufacturers and marketers to regularly communicate with their customers are consumer contests, direct mailers, trade shows and exhibits, consumer premiums, trading stamps and free offers, advertising giveaways, gifts, consumer fairs and consumer education and services.
- Publicity and public relations are support systems to communicate to the current customers and to the future prospects about the companies' activities, about their corporate social responsibility and about their products.
- Publicity is managed by the organizations by gaining positive reporting and perceptions of its products, events, happenings, brands, persons, ideas, innovations, and activities.
- Marketing firms' promotional mix decisions are affected by factors such as budgetary decisions, nature of product, nature of the market, buyer's readiness to buy, product life cycle stage and the decision to either adopt pull strategy or push strategy.

OBJECTIVE TYPE QUESTIONS

- 1. Communication process requires a vast catalouging of skills in communication processing. The process requires
 - (a) Listening skills and observing skills
 - (b) Speaking skills and questioning skills
 - (c) Analysing skills and evaluating skills
 - (d) All of the above
- 2. The elements of the communication process are
 - (a) A message
 - (b) A messenger
 - (c) A receiver
 - (d) All of the above
- 3. The elements that give the product its complete communicating personality are:
 - (a) Physical features of the products
 - (b) Manufacturing company name
 - (c) Brand name of the product
 - (d) Packaging
 - (e) All of the above
- 4. The dynamic features of non-verbal communication are
 - (a) Facial expressions
 - (b) Gestures
 - (c) Looking
 - (d) Visual communication
 - (e) All of the above

- 5. The static features of non-verbal communication are
 - (a) Distance
 - (b) Orientation
 - (c) Posture
 - (d) Physical contact
 - (e) All of these
- 6. On the customer psychological level, the price of the product can establish the following indication by way of communication
 - (a) It becomes an indicator of quality
 - (b) It becomes an indicator of the product brand status and positioning
 - (c) It becomes an indicator of technological and innovative leadership
 - (d) It becomes an indicator of the manufacturer understanding the customer need and its intensity
 - (e) All of the above
- 7. The marketers communicate to the customer in the following way in the selection of their channels and channel partners
 - (a) Through the retail store image
 - (b) Through the retail store merchandising
 - (c) Through the image of channel partners
 - (d) All of the above
- 8. State whether the following statements are true or false:
 - (a) A product becomes a living being consistently communicating with the customers when it is adorned with the brand, labeling, packaging and the manufacturer's / marketers' name.
 - (b) Mass communication refers to a situation where communication is entered upon with mass public either directly or by taking recourse to the usage of mass media, e.g. television, newspaper, or direct announcements.
 - (c) Graphic communication is the process of communication through the use of graphics and graphical aids.
- 9. Fill in the blanks:
 - (a) ______ is characterized by contacts resulting in communication between people with different linguistic and cultural backgrounds.
 - (b) _____ is the process of speaking to a group of people in a structured, deliberate manner, intended to inform, influence, or entertain the listeners.
 - (c) _____ includes signs, typography, drawing, graphic design, illustration, colour and electronic resources.
 - (d) _____ can be defined as the efforts to reach out the customer target market for the products and services by making use of the cues and other elements of marketing communications.

REVIEW QUESTIONS

- 1. Define consumer communication. Discuss the process of consumer communication adopted by marketing firms.
- 2. How does product act as an element of marketing communication? Elaborate with the help of examples from the product portfolio for any FMCG company.

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- 3. How does price act as an element of marketing communication? Discuss it in relation to the pricing strategy of a marketing firm.
- 4. What, in your opinion, can be the factors affecting the promotional mix strategy of a car manufacturer in Indian car market?
- 5. Write short notes on : pull strategy, push strategy, publicity and public relations.

ACTIVITIES

- 1. Visit the website of any leading car manufacturing company to understand and analyse how the website has been made a source of establishing communication with the customers and prospects by the manufacturer.
- 2. Analyse two advertisements of print media and two spots in electronic media by a marketing company to understand the use of product as an element of communication by the company.

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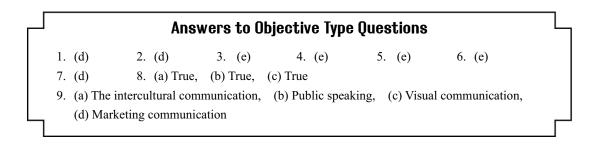
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Mercedes Benz UK

As one utters the word Mercedes Benz, one gets lost in picturing cars built for the elite and the super rich of the world. The super luxurious and the high tech percision built cars by Mercedes Benz UK have had a long history of innovations and inventions. Mercedes had invented the motor car in 1886, and the company has been re-inventing cars for more than 125 years now. The great engineering team at the Mercedes Benz has been pushing the boundaries of automotive engineering, creating a pedigree and lineage of great iconic vehicles.

The team that works under the dynamic leadership of Gorden Wagener, Mercedes-Benz Head of Advanced Design Studio has actively been bringing forward the brand's evolution. "A Mercedes needs to have surfaces that reflect emotion, intellect, and execution. A Mercedes should be premium, in every segment," says and believes the head of Advanced Design Studios. The guiding principles of designing Mercedes Benz car has been very clear and consistent, "A Mercedes must always look like a Mercedes. And it must capture people's imagination, not just at launch but in 10, 20, 30—even a hundred years time."

MERCEDES BENZ NAMED NUMBER ONE CONSUMER SUPER BRAND

It must have been a very proud moment for the Mercedes Benz team when Mercedes-Benz was awarded and named the UK's number one Consumer Superbrand for 2011. Competing with the likes of Microsoft or Google and winning the top spot definitely lends a very high credibility to Mercedes Benz Brand.

"Winning the Superbrand survey is very special for Mercedes-Benz," said Wilfried Steffen, President and CEO Mercedes-Benz UK, "and I am delighted that we've achieved the coveted number one spot in our 125th year. Everybody in the company is absolutely committed to delivering exceptional levels of customer service, and this survey result shows that these efforts are paying off, because the British public voted for us."

CONSUMER COMMUNICATION STRATEGY AT MERCEDES BENZ UK

The company has been communicating the elegance and superiority of their brand to elite and loyal customers in very innovative and unique ways. The company strategizes its consumer communication by making its presence amply and significantly on its innovative website, on

Mercedes Benz TV, in the top end countless and exclusive Fashion events of the world and in the high class open golf championships.

Communicating with the Consumers at the Open Golf Championship

The open championship in golf organized in Great Britain since 1860 is one of the great golfing events in the world of sports. Mercedes-Benz acts as the "Official Car of the Open Championship", thereby gaining a proud visibility at the event, where the world finds its elite and the super rich gathering for sports event.

Communicating with Consumers Through the Style and Design

Mercedes Benz does not have to speak in words about its products' style and well-designed perfections. The style and design are in its DNA. Ever since the inception, the graceful profile and technical excellence of Mercedes-Benz cars have commanded attention of the connoisseurs and people in love with elegant cars. This love of the company for style and sophistication is smartly and passionately expressed by getting involved with leading fashion and design industries over the years. Mercedes Benz brand is closely associated with countless exclusive fashion events around the world's great cities. The brand hosts and sponsors Mercedes-Benz Fashion Weeks in Berlin and New York. The company is the official sponsors of Fashion Weeks in Paris, Miami, Mexico City and Brisbane's Fashion Festival. In Paris and Milan, the Mercedes Benz brand is connected and is an essential name to many fashion events. They are Official Car Supplier of London Fashion Week. Mercedes Benz is proud sponsors of GQ's Best-Dressed List 2011.Mercedes-Benz and the fashion industry complement each other beautifully and communicate to the customers that smooth style and exquisite design are at the heart of whatever the company does. The company has always championed the UK's style and design industries and has exhibited a great passion about people who understand, create and define timeless classiness.

INNOVATING NEW CONCEPT IN CONSUMER COMMUNICATION, MERCEDES BENZ TV

Mercedes-Benz offers to its customers a fantastic experience of the Mercedes-Benz brand by the online service of Mercedes Benz TV. The online television service televises a variety of content, allowing the customers view live broadcasts from product premieres and worldwide events. A weekly show keeps the customers up to date with all the latest news and developments from Mercedes-Benz.

There is content on demand available which covers a broad range of subjects from motorsport and lifestyle stories to the myths surrounding the world's oldest automobile manufacturer. The television is a great way to get an insight on Mercedes Benz's latest innovations and products.

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DIRECT MAILERS TO COMMUNICATE WITH CUSTOMERS AND FUTURE PROSPECTS TO WIN THEM AWAY FROM THEIR CURRENT CHOICES

This strategy has brought many new customers into the fold of the company and created an image by helping the customers to make an informed and intelligent decision on the purchase of their new car. The campaign is outsourced and conducted with the support of IOS, one of the world's largest colour digital bureaus. IOS has developed some of the market's most technical, business critical print applications using unique and flexible development platform. IOS developed a Bespoke Pack, creating a fully personalized hybrid project with integrated print technologies for Mercedes Benz U.K. for innovative direct mailers.

Objectives of Direct Mailing Campaign of Mercedes Benz UK

The company had planned to enlarge and extend their potential and existing customer base through a well directed direct mailer campaign. The objective of the direct mailer strategy had been:

- 1. To persuade and motivate the customer towards purchasing a new motor vehicle, by inspiring and enticing the owner away from their current model.
- 2. To create and enlarge the data base of new customers.
- 3. Designing and sending direct mailer packs to, 40,000 individual Mercedes customers within the UK.

Strategy Adopted for the Direct Mailing Campaign

IOS had been outsourced the task of designing and mailing the direct mailers to 40,000 individual Mercedes customers within U.K. The company created a data base of 40,000 individual customers from the in-house customer research to whom a communication piece of literature, unique to every customer, would be sent. The unique packs for direct mailing to these customers consisted of a brouchure and matching letter, with 133 possible variants. The targeted strategy created, consisting of 5 status categories, for which the company had specifically defined the pack type which will be used in customer communication. The status packs provided detailed and relevant product information on an individual desired range of Mercedes Benz passenger cars. This was done with a view to helping the customer to make an informed decision. Data management for direct mailing had been undertaken via IOS's own in-house development platform.

Results of the Direct Mailing Campaign

Ever since the direct mailing communication had been adopted by the company, following direct benefits had accrued to the brand image and sales of the company:

- (a) The retention and conversion rates of customers have improved dramatically.
- (b) The majority of customers have traded up to a higher specification model.
- (c) The campaign has delivered significant ROI and is now accepted by Mercedes as being a fundamental part of their ongoing marketing communication activity.
- (d) Mercedes Benz UK has had an exceptional upturn in sales.

- (e) By knowing their clients' area of interest, the company is able to prepare for customer visits, including test drives of the desired motor vehicles for each individual.
- (f) The campaign has eventually been adopted by Mercedes as being a fundamental component of their ongoing marketing and consumer communication activity

Sources: This case study has been adapted from the following sources: http://www2.mercedes-benz.co.uk/ content/unitedkingdom/mpc/mpc_unitedkingdom_website, accessed on 29 June, 2011; http://www.i-os.com/ case-studies/mercedes-customer-communication

DISCUSSION QUESTIONS

- 1. Discuss the customer communication strategy adopted by Mercedes Benz and as discussed in this case study.
- 2. What is a direct mailer? How can the direct mailer be advantageous in marketing communications of a car manufacturer in India in the current marketing scenario?

ACTIVITY

You can conduct and undertake a similar survey of some of the car manufacturers in India from their website and understand how their consumer communication strategy is different from the innovative communication strategy adopted by Mercedes Benz U.K.

12 Relationship Marketing and Consumer Behaviour

LEARNING OBJECTIVES

After reading this chapter, you should be able to understand

- The concept of relationship marketing
- The components of relationship marketing
- The process of relationship structure
- Customer relationship and customer retention
- Customer relationship and brand loyalty
- Customer relationship and customer satisfaction
- Customer relationship optimization with effective communication

INTRODUCTION

In marketing of products and services, relationship marketing has always played a very important role in bringing the consumer and the marketing firm together for a better understanding of each other and developing a long-term relationship between the two. In the olden times of personal marketing and retails, when the online systems of communication such as Internet, World Wide Web and mobile telephony had not been innovated in product marketing, the traditional business style of man to man selling and *gaddi* system of retail salesmanship had always been very meticulous in building up their relationship with their important consumers. The marketers in those systems had always preferred creating a sense of family feeling and belonging among their customers by

knowing all details about their consumers and their families. It was customary for a grocer, a hair dresser, a doctor, a draper, or a fashion garment designer to maintain a record of personal particulars of all their service customers. They would make sure that they communicated with their customers on important events in their customers' lives.

The marketers would take benefit of the special events in their customers' lives to show that they were really valuable to their business. They maintained family relationship with such important customers for generations together. While building relationships with these customers, the marketers would always take care of the vital aspects of marketing, e.g. service, quality, customer retention activities and other relationship building exercises from time to time. As a prelude to long-term relationship building exercise, they even participated in the family functions of their important customers.

Customer Relationship Marketing after the 1990s onwards has been accorded much wider dimensions. The advent of Internet, World Wide Web and other forms of media, e.g. mobile telephony, call centres and business process offices have made it very difficult for any brand to retain consumers for a long time. The marketing firm in today's scenario, when the consumer's loyalty has become a short-term phenomenon, has adopted technology-based systems to keep in touch with their customers to retain their attention and build thereupon long-term relationship. Customer relationship marketing has today been expanded from the intimate one to one relationship of relationship management to that of database marketing relationships. The extension of CRM in all marketing firms run from B2B to B2C on the data-based statistics managed by third parties.

DEFINITION OF RELATIONSHIP MARKETING

Philip Kotler has defined relationship marketing as "the process of building long term, trusting win-win relationship with customers, distributors, dealers, and suppliers. Over time relationship marketing promises and delivers high quality, efficient service, and fair prices to the other party. It is accomplished by strengthening economic, technical, and special ties between members of the two organizations or between the marketer and the individual customer."¹. This statement establishes the fact that marketing today has moved from transactional marketing to the relationship marketing that creates win-win situation for both the marketing firm and the consumer. Customer relationship marketing has also been defined as "relationship marketing attracting, maintaining, and in multi service organizations enhancing customer relationships."² Similarly, "the purpose of relationship marketing is to identify, and establish, maintain and enhance … achieved through a mutual exchange and fulfillment of promises."³

RELATIONSHIP MARKETING VS TRANSACTIONAL MARKETING

Traditional marketing is a concept that is based on the transactional value of making the products available to the customer on the basis of optimum integration of four traditional Ps of marketing, so that a better transaction value could be offered to the customer. Figure 12.1 shows the impact of bringing in the customer orientations in all departments of the modern organization in dealing with the customer. The modern customer today is also different from the traditional customer who could be influenced by the traditional transaction elements. Figure 12.2 shows how the

marketing firm now has to integrate its internal systems with many of the external elements in addition to the traditional four Ps to understand and influence the customers' decision-making and retain him for longterm relationship marketing. Some of the features that distinguish relationship marketing from transactional marketing of earlier times are:

- 1. Relationship and the dealings between the sellers and the customers have moved from a mere transaction based business to that of relation focused long-term association in which both the parties lay greater importance to relationship building.
- 2. Relationship marketing believes in enhancing value additions to the customers on a long-term basis to provide better customer satisfaction and customer delight.



FIGURE 12.1 The Orientations of All Departments of Relationship-Based Marketing Organization

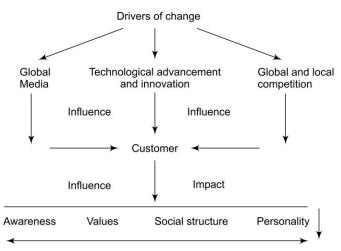


FIGURE 12.2 Influencers to Consumer Decision-Making

- 3. Relationship marketing believes in developing internal marketing within all wings of the organization to create a better understanding within the team to serve the customer better, besides developing relationship with the external customers.
- 4. The tripod on which the relationship functions is quality, customer service and relationship marketing.
- 5. Relationship marketing means all departments of the manufacturing and marketing firm should work with complete orientation of "Customer First". It means that the pyramid of customer relationship for any organization has the customer on top of the pyramid and everyone in the organization must be willing to serve the customer. Figure 12.1 exhibits such focus on the customer in one of the modern organizations.

The modern system of relating to the customer needs refers to the customer focused orientations and operational efficiency of all the elements of marketing firm and integrating them in such a fashion that the organization could offer a better relationship and loyalty bond to the customer. In modern times, however, the influencers have gone much beyond the scope of the marketing firm alone. Hence, the need to build up solid relationship bonds with the customers has become imperative for any firm to establish a long-term relationship with the customers.

CONCEPT OF RELATIONSHIP MARKETING

Relationship marketing is a nomenclature given to all activities undertaken by the business organizations to delight their loyal customers beyond mere satisfaction levels derived from the core products. In other words, while it is easier to satisfy a customer by giving him a basic value for the price paid for the products, he does not necessarily feel delighted and stays for long-term relationship with the marketing firm. A marketing firm has to offer value plus in the shape of additional benefits, services and activities which are much beyond the realm of simple buying and selling. All these activities and strategies that the organizations undertake to provide additional benefits to the customers beyond the price paid for the products and services can be categorized under a single head of Relationship Marketing. The marketing firm, in order to keep the customers loyal consistently to its business, adopts certain preferential and beneficial communications channels to keep the customer in touch with the developments taking place in the marketing and customer service policy and strategy of the marketing firm. These customer relationship management channels range from developing of loyalty programmes and progression of the customers to different stages of loyalty programmes over a period of time, depending upon the customer frequency of the product and services purchase. In these loyalty programmes, the firms keep on rewarding customers with many goodies for having stayed with the firm. The entire game plan is to establish long-term relationships and special bonds with the customers and make them feel part of the marketing organization. The loyalty and long-term relationship rewards so given to the customers for their association with the marketing firm can establish four kinds of long-term relationships with the customers as given below:

- 1. Financial relationships
- 2. Social relationship
- 3. Customized relationship
- 4. Structural relationship

Advantages of Relationship Marketing

- 1. The basic purpose of relationship marketing in a marketing organization is to take care of the product and service need of its clients and customers in such a way that a long-term relationship develops between the customer and the marketing firm and no customer ever switches over to the competition.
- 2. The organizations try to provide superior value to the customer by building and developing relationship value chains in all the wings of the marketing firm.
- 3. Such value chain building helps the organization in understanding the customer and his needs better and thus develop and maintain better customer relations.

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4. The marketing firm integrates all its functions in such a manner that each step taken by the firm to serve the customer develops a relationship of trust and mutual dependence among its customers and the employees.

This relationship can be better understood with the help of Figure 12.3.

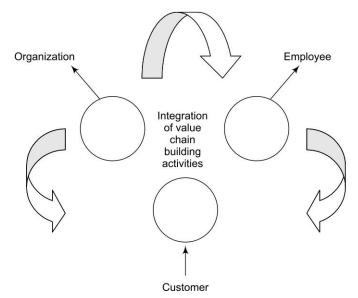


FIGURE 12.3 Organization-Customers-Employee Relationship

Relationship marketing can be profitable to both the customer and the company in the following ways:

- 1. Advantages of relationship marketing to the firm:
 - (i) Retention of customers
 - (ii) Increased revenues and sales turnovers
 - (iii) Reduction in brand/product promotional expense
 - (iv) Reduction in understanding customer need gap
 - (v) Establishment of understanding between the customer and the firm's staff
- 2. Advantages of relationship marketing to the customer
 - (i) Availability of personal attention
 - (ii) Saves search time and efforts
 - (iii) High quality services
 - (iv) Lower costs
 - (v) Increased value additions

Advantages to the Firm

1. **Retention of customers:** Relationships developed with a customer create a sense of affinity between the customer and the service firm. The customers of all those marketing firms who

institute and integrate a strong Customer Relationship Marketing programme at all levels of their marketing do not tend to move away to the competitors, as they know that the firm they have a relationship with understands their need, will always take care of them and solve their product and other service needs. The marketing firms, having realized as to how important it is for them to retain their customers, undertake many kinds of customer retention exercises. These exercises may vary from creating a data base on the demographic features of the customers, their buying and usage habits, their preferences and idiosyncrasies, their likes and dislikes and many other features, e.g., their buying convenience, buying decisions and its influencers, and the patronage of the retail and distribution outlets, etc. This data base is then used to establish a personal communication and relationship with the customers on a regular basis to make them feel part of the firm's marketing and decision-making activities.

- 2. **Increased revenues and sales turnovers:** The business of the firms that believe in strong customer relationships does not fluctuate; on the contrary, customers tend to spend more efforts, time and money on their needs of services and products with these firms.
- 3. **Reduction in brand/product promotional expense**: It is expected that by instituting a strong customer relationship marketing programme, the repeat patronization by the existing customers will give a continued business turnover to the marketing firm. In addition, the saying that 'a satisfied customer fetches ten new customers' works out faster in the case of customer relationship marketing as the word of mouth travels faster about good products, brands, relationships and satisfactory services.
- 4. Reduction in understanding customer need gap: A customer-oriented marketing firm has to spend many man hours and resources to eventually understand as to what exactly are the customers' apparent and implied needs of the products and services offered by the marketing firm so that it can establish a complete understanding with them, removing all kinds of gaps. A strong customer relationship marketing programme established by the firm provides a better opportunity to understand the customer.
- 5. Establishment of understanding between the customer and the firm's staff: It has often been seen that a regular customer to a good shopping mall, retail store, or a restaurant need not explain his taste and preferences to the staff serving him or waiting upon him. Such understanding establishes a bond of trust and dependence. The firms that regularly educate their customers handling staff about the importance of the customer for their business lead the way to the establishment of sound understanding between the customer and the staff. The customers, too, would like to prefer such an outlet for their shopping which can understand their needs and can serve them their stated and not so stated needs. The encounter with the marketing firm's staff at the point of sales outlet is also known as the moment of truth and the relations between the customer and the marketing firm begin or end at this moment of truth. In case the customer has been delighted, he would like to patronize the firm and develop some kind of affinity and relationship with the marketing firm and its brands. The marketing firm has to ensure that the moment of truth (Exhibit 12.1) is duly recognized by its staff coming in contact with the customer and the moment is made a win-win situation for both the entities involved but more so for the customer, who may not give another chance to the firm to get into a relationship.

Exhibit 12.1

THE CUSTOMER BEHAVIOUR AND THE MOMENT OF TRUTH

"That spark and the emotionally driven behaviour that creates it explain how great customer service companies earn trust and loyalty during "moments of truth": those few interactions (for instance, a lost credit card, a cancelled flight, a damaged piece of clothing, or investment advice) when customers invest a high amount of emotional energy in the outcome. Superb handling of these moments requires an instinctive frontline response that puts the customer's emotional needs ahead of the company's and the employee's agendas."

Source: Marc Beaujean, Jonathan Davidson, and Stacey Madge, The 'Moment Of Truth' In Customer Service, The McKinsey Quarterly, 2006, No. 1.

The interaction that takes place between the front employee and the customer at the place of sales/service delivery, referred to as the moment of truth, is highly significant for the marketing firm. It can either retain the customer for a long time to come and motivate him to come back to the marketing firm time and again or it can simply put him off and take him away to the next competitor.

Advantages to the Customer

- 1. **Availability of personal attention**: A customer gets special attention and treatment if he patronizes a marketing firm and its brands/services for a long time and regularly.
- 2. Saves search time and efforts: A customer does not have to go into the marketplace, on to the Internet, or even through the other information tools spending his time browsing for a new product manufacturer/supplier/service provider, if the relationship is good between the customer and his marketing firm. This saves him lots of efforts, time and money, which can be better utilized elsewhere.
- 3. **High quality services:** In a long-term relationship marketing, the customer is always in a position to convey his need in more authentic specifications to the firm's representatives, thus ensuring that he gets what he wants. The marketing firm, too, can establish understanding of the need of the customer, leaving no scope for the gaps in such an understanding. Hence, the quality of the products and the services as demanded by the customer will always be precise and of high quality.
- 4. Lower costs: Firms have realized that they need to have a strong base of loyal customers, and when they have developed such a strong base of customers, reaching out to the individual customer out in the market may not be necessary, thus saving a lot of overhead expenses, which the firm, otherwise, would have spent on advertising and sales promotion. The overheads saved can be passed on to the customers' enrolled with the firm by way of loyalty schemes, etc.
- 5. **Increased value additions:** The firms dish out many kinds of loyalty points, price-off offers, giveaways, pleasure trips, film shows, fashion shows and other valuable attractions to keep the relationship going and delight the customers.

Components of Relationship Marketing

The most important aspect of customer relationship marketing is based on the understanding that the marketing organization must establish direct communication channels with the customers to let them feel part of the total business. It is on this account that the data is collected by the marketing organization whenever the customers come in contact with the points of purchase. This data is then collated to maintain individual identity kits of the customers for building up relationships through regular communications. These communications are different from the mass mailings and mass contact programmes of the marketers.

The other components relate to the establishment of direct and personal information system, establishing and allotting personal identification, VIP treatment and benefits of loyalty programmes. This way, customer relationship marketing becomes a success mantra of the industry as the customer is made to come back for his purchase at sales points again and again. Airlines, hotels, shopping centres, mega malls, organized individual retailers, clothiers, beauticians and even food retailers have all developed some customer relationship marketing programme or the other to build up their customer relationship marketing.

We will look at the customer relationship building strategy here to understand how successively each component contributes to the success of the other and build up customer relationships.

PROCESS OF RELATIONSHIP STRUCTURE

The most important aspect of customer relationship management is based on the understanding that the marketing firm must establish direct communication channels with the customers to let them feel part of the total business. It is on this account that the relationship structure is developed.

- 1. The data of customers who become part of the relationship structure is collected by the marketing firm whenever the customers come in contact with the points of product sales or at the point of service delivery.
- 2. This data is then collated to maintain individual identity kits of the customers for building up relationships through regular communications. These communications are different from the mass mailings and mass contact programmes of the marketing firms.

The other components of this relationship structure are:

- 3. Establishment of direct and personal information system.
- 4. Establishing and allotting a personal identification.
- 5. Providing a VIP treatment to the customers.
- 6. Extending many kinds of benefits of loyalty programmes to the consumers.

This way, customer relationship marketing becomes a success mantra of the marketing firm's relationship marketing strategy as the customer is made to stay loyal to the company and is tempted to come back for his purchase at delivery and sales points again and again. Airlines, hotels, shopping centres, mega malls, organized individual retailers, clothiers, beauticians and even food retailers have all developed some customer relationship marketing programme or the other to build up their strong customer base.

We will have a look at the process of customer relationship building strategy below to understand how successively each component contributes to the success of the other and build up customer relationships.

CONSUMER RELATIONSHIP BUILDING STRATEGY IN RELATIONSHIP MARKETING

Relationship marketing is different from traditional marketing. In traditional marketing, relationships end with the transaction of sales and purchase having been over, but relationship marketing begins with the purchase of product or the brand service by the customer and continues with building of relationships with the customers over a long period of time, as ages are spent in understanding customers and their specific and peculiar needs.

The strategy of relationship marketing structure comprises following components and successive steps undertaken by the marketing firms, for establishing long-term relationships with the consumers.

Understanding the Vision and the Mission of the Marketing Organization

It is very important for every employee of the marketing firm to understand the objective and the purpose of a marketing firm's existence. The purpose of existence can be conveyed best by stating a vision statement by the firm. A short, simple, easily understandable vision statement can help the customer know better about the marketing firm. A statement such as "we are in the business of moving people" goes a long way in conveying the true mission of the marketing firm, which is involved in the business of logistic support services marketing. The mission statement should convey to the identified customer group a complete message about the marketing firm's existence for its customers only.

Understanding Strength and Weaknesses to Build Relationships Upon the Same

The marketing firm, before establishing a relationship network and structure as a prerequisite to relationship marketing, must examine the internal as well as its external environment to understand as to how best the customer can be serviced and retained without putting a strain on the resources of the organization. The internal as well as the external environmental examination will also reveal to the marketing firm the intensity of the competitive rivalry and competition in the makert place vis-a-vis its own strengths and weaknesses. The relationship structure to be built will have to keep in mind technological innovations, developments, financial constraints, product innovations by self and competitions that can become a threat to the maintenance of customer relationships on the same level as they are being held today.

Formulating a Retention Oriented Relationship Strategy

The management of the marketing firm will have to form a relationship strategy of its own that should be unique, specific to its own resource availability, peculiarities of customer markets and, of course, competitive enough to survive and retain the consumers for a longer period with the marketing firm.

- (i) In this retention strategy, the emphasis of the marketing firm should never be undermined on maintenance of quality delivery and quality production of products and services.
- (ii) A customer will greatly feel delighted by understanding that he has been offered an opportunity to be part of the organization by the retention strategy devised by the firm. At the same time a customer will never ever compromise with the quality of brand that he expects from the organization.

- (iii) The strategy for retention and relationship building should be initiated in the organization, once the quality circle has been completely introduced at all levels.
- (iv) It has been observed that the marketing organizations generally remain in a hurry to implement the relationship strategy. They need to understand that a customer, once turned away on account of poor quality, may not come back despite many benefits offered by way of customer relationship benefits.

Many of the mobile companies, at the initial stage of the launch of mobile services in India, did not prefer getting into any relationship exercise because they knew that the technology is in the evolutionary process and will have to evolve with a passage of time before it could be utilized for a relationship building exercise.

Opting for a Customer Relationship Strategy

The idea to cater to the best of customer satisfaction by way of quality products and services is always replete with the desire to build customer relationship in such a manner that the customer should always remain with the marketing organization. The revenue for any marketing firm is better accrued by the repeat demand and patronage of the existing customers, rather than finding a new customer every time. The strategy, therefore, emphasizes on retention strategies for long-term relationships. Figure 12.4 explains different strategy structures a firm can adopt, which aim at both the retention and the relationship building with the customers of the marketing firm. The structure of the customer relationship, thus bringing each individual consumer closer to the marketing firm. The structure will be built upon by the marketing firm by adopting the relationship strategies as enumerated in Figure 12.4 and explained in the subsequent paragraphs.

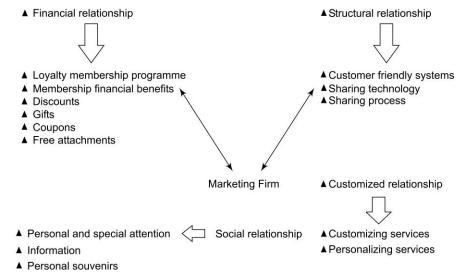


FIGURE 12.4 Four Level Relationship Strategies Adopted by Marketing Firms

FOUR LEVEL STRUCTURES OF CUSTOMER RELATIONSHIP STRATEGIES

The marketing firms adopt different strategies to first attract the customers towards their products and brands by differentiating their products/brands from other similar competitive products/brands on the offer in the marketplace. The same companies, later on, introduce many kinds of lucrative and novel strategies to retain the customers and build up long-term relationships with them. These strategies can be broadly catalogued into four broad customer relationship categories:

- 1. Financial relationship strategies
- 2. Structural relationship strategies
- 3. Social relationship strategies
- 4. Customized relationship strategies

Each subsequent strategy is followed by the marketing firm in a structural building exercise as a corollary to the strategy adopted at the initial stage. For example, the relationship with the customer of the marketing firm begins with the collection of the consumer data and developing a financial relationship strategy. It is followed by the strategy of sharing of the structural relationship with the customer.

Financial Relationship Strategies

It is understandable that to establish a long-term relationship, the product/service seller will have to institute a system of maintaining personal relationship with the consumer. This is possible only when the consumer comes in contact with the product, brand and the service seller at the time of the first purchase.

- 1. The customer is encouraged to provide his details to the product seller/service provider to become a member of some loyalty programme or the other instituted by the service firm.
- 2. The membership is generally offered free of charge, but only after the shopping of a specific amount at the service facility.
- 3. The customer is made to feel part of the family by way of naming him with labels such as Jet Privilege club, Indian frequent flier, Pantaloon green card holder, Elite Globus club member and King club, Westside gold club member, silver or gold member for Kingfisher airlines. There are many more such attractive names allotted by the product sellers and service providers to the customers of these clubs to make them feel socially important.
- 4. The customers subscribing to these programmes are allotted an identification number and an ID card relevant to the status.
- 5. The identification so allotted makes the customers eligible for certain special financial benefits.
- 6. The frequent usage of the membership card at the time of purchase makes him eligible to earn points, which can be redeemed into the shape of discounts, price-offs, financial and non-financial gifts and other membership benefits.

It is assumed that, in a way, the financial benefits offered to the customer through these rewards make him feel delighted to come back to the marketing firm time and again.

Figure 12.5 indicates how such reward systems are introduced in the service firms to make a customer feel delighted.

Social Relationship Strategies

Establishing social relationships with the customers can help bring in a sense of belonging among the customers and develop a permanent relationship between him and the marketing firm. The major benefit for the customer for being part of the elite list of customer relationship programme of the marketing firm relates to his being a special recipient of regular communication about the



FIGURE 12.5 **Customer Relationship and** Retention Strategies - Customer Relationship Pvramid

business, its social events and other benefits that the service firm institutes from time to time. Such constant effort of the marketing firm to keep the customer in touch with the happenings within the marketing firm forms a very positive impact on the relationship building exercise between them. The customer is always given a feel that he is part of the business of the marketing firm and that it is his interest that is always put on top most priority by the marketing firm.

Structural Relationship Strategies

The marketing firm takes the following steps to form structural relationship strategies:

- 1. By establishing computerized customer data base and by establishing a structural communication with the customer.
- 2. The method of communication used for remaining in touch with the customer may vary from the use of Internet, online exchange, and social websites, to mobile network, kiosks and other electronic devises through which the customers can be conveniently put in touch with the marketing firm.
- 3. The marketing organization makes use of these structural devises for extending personal invitations, informing on special price-off, discounts schemes, important events and interactions with the customers.
- 4. The relationship structure also involves use of and providing in-house publications, magazines and special product catalogues for inter-communicating about the activities of firms' business.
- 5. For exclusive meetings with the elite customers, the marketing firm can make use of the multimedia channels to communicate with those customers whom the firm wants to make feel important for their relationships with the organization.
- 6. The communication vehicles include sending greeting cards, birthday cards, wedding wishes and other good wishes on national and international festivals and days. The customers stand to gain in terms of feeling special and part of the whole festive affair.
- 7. The customers are informed in advance about the new products and service introductions; new discounts, discount schemes, promotional schemes and various events to be organized by the marketing firm by the structural network.
- 8. The structural network also makes available a plethora of communication to inform the customer about his status in the loyalty programme and other contests run by the marketing firms and their partners.

Advantages of Establishment of Structural Relationship Strategies

- 1. The structure can be utilized to build up data base that can throw much light on the purchase and other behaviour of the loyal customers. The spending patterns of the loyal customers and their other likes and dislikes for the products and services marketed by the firm become predictable over a period, when firms can plan both their events and delivery facilities.
- 2. The ease of access to availability of information about the marketing firm and its facilities can help the customer know more about the behaviour patterns of the firm in arranging events, benefits and other purchase related advantages in favour of the customers. The customer can accordingly plan his product and brand choices and their purchases in advance.
- 3. Communication structure so used adds to the perception building activities of the marketing firm on a level much higher than the regular advertising campaigns. It gives a kind of exclusivity to the firm when it communicates with the elite and loyal customers to get the attention of the customer as while reading such communication modes, their attention cannot be divided or diversified to other brands marketed by the firm.
- 4. It leads to the building up of a long-term relationship based on reciprocated trust and confidence for both the parties.
- 5. It is a very strong mode of customer education, as many of the business organizations publish articles related to self-development and self-grooming and other social and international events related to customer education and empowerment.

Customized Relationship Strategies

- 1. Customers of the marketing firm are accorded VIP treatment and custom-made handling: Such a selective and custom-made treatment to a customer is possible only when the marketing firm has been able to know in advance about its customer's base.
 - (i) The data collected through structural relationship enables the firm to categorize the customers into different categories and customize the product offers/services as per the need and choice of the customer.
 - (ii) The customers can also be categorized and customized, i.e. the loyal, the regular and the casual purchasers of services. The firm is well aware that the bulk of his business will be coming from the loyal and the regular customers and hence he does not have to accord the same treatment to every customer.
 - (iii) The firm provides preferential customized treatment and service to the customers whom it wants to feel important and key to the growth of its business.
 - (iv) The gratitude may be returned in the shape of exceptional attached offers, waiting lounges, shopping arenas, free add-ons and individual purchase/ services hours. The recognition is also extended by offering invitation to special events organized by the service firm.
- 2. Maintenance of quality of firm's products and services though is imperative for any and every customer:
 - (i) Customers come to the service facilities, but the level of attention provided to the loyal customers differentiates it from the normal routine service.
 - (ii) But no compromise is ever made by the marketing firm in its quality of the products and services.

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- (iii) The loyal customers are given additional benefits of gifts vouchers on birthday, wedding days and other important festivals. Imagine walking into your favourite restaurant and being presented a bouquet of flowers because it just happens to be you birthday or just think how you and your spouse will feel delighted if you are offered a two-day free stay at the hotel on your wedding anniversary, in order to honour your loyalty to some services firm. This and many more small luxurious treats are offered by the marketing firm to make the loyal customers feel important and wanted for the growth of his business.
- (iv) All these business promotion activities are undertaken as a prelude to the establishment of long-term customer relationship marketing and ensuring consistent customer loyalty.

CUSTOMER RELATIONSHIP AND BRAND LOYALTY

The concept of brand loyalty is not very simple to understand as the same customer whom the firm feels is loyal rarely stays for the lifelong with the firm. Given better proposition, no customer will ever mind moving over to the competition. The customer loyalty can, however, be looked at from the following two angles to understand the concept better.

- 1. The proponents of the brand value concept believe that the consumer buys a product not for its functional value but for its symbolic value.
- 2. Brand loyalty is often looked at from the consumer behaviour point of view. It is often taken as an expression of the consumer's attitude towards the psychological or the symbolical expression of what the product or the seller stands for in his mind.
- 3. Some other advocates of brand loyalty aver that the consumer's repeatedly buying a particular brand even when he has the wider choice of other products available is an indication of his brand preference and hence exhibits brand loyalty.

Another view holds that consumer loyalty is the relationship between a customer's relative attitude towards an entity—the brand, service, store or supplier—and patronage behaviour. This consumer attitude includes:

- Strength of the attitude
- The extent of attitude differentiation found among competitive brands.

The combination of the consumer's relative attitude and the degree of repeat patronage by way of repeated purchase spell out a consumer's loyalty towards the brand. This can be seen from Figure 12.6, where the loyalty of the customer can be gauged from the degree of attitude and repeat purchase patronage.

The higher the degree of attitude, the higher is the loyalty and accordingly the lower the attitude, the lower or practically no loyalty exists in the mind of the consumer.

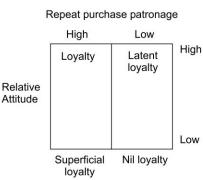


FIGURE 12.6 Measuring Brand Loyalty as a Function of Relative Attitude and Patronage Behaviour

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Developing Customer Loyalty

Development of strong customer loyalty in the customers by way of instituting marketing relationship strategies is undertaken by the marketing firm for ensuring customer delight and its own survival. This activity finds its beginning in the structural and social relationship itself when the marketing firm makes all efforts to collect personal data about the customers coming in contact with the delivery points of the firm during their purchase activity. The marketing firm establishes and institutes voluntary membership to the loyalty programmes as a prelude to the brand building loyalty improvement exercises undertaken by it.

The customers are encouraged to join by making the aware of the benefits attached to the loyalty programme instituted by the marketing firm. The rewards for the loyalty of the customer are provided in the shape of encashment of loyalty points earned either in the next purchase or offering them altogether different kind of benefits and services. The loyalty programmes for brand building are of two kinds: simple loyalty programme and progressive loyalty programme.

Simple Loyalty Programme

A simple straightforward benefit is the allotment of the points earned for the purchase made against the membership card by the customer of the firm during the year. The value of the purchase made by the loyal customer on his repeated purchases is converted into the points and credited to the account so created for the customer. The value allotted may be a point per one hundred rupees spent in case of some services and for many other, e.g. hoteliers and travel business. It could vary from the amount spent to the nights stayed in the hotel or the miles travelled by the airlines or certain brands bought by the customer.

Progressive Loyalty Programme

The customer is given entry at the initial stage as a primary member, when he becomes the customer for services/products/brands of the firm. He is progressively upgraded to better benefits as the amounts of his purchases accumulate and the total count of points earned in a given period go up. For example, in many airlines, the entry card will be known as the blue or any other colour card, progressively moving to the next stage, the customer gets the membership to silver card. The benefits attached to the silver card make him feel as he has been promoted to a higher level of relationship with the retailer. The ultimate level of the gold or platinum card boosts his ego as a very important customer for the organization. The rewards at this stage take him to a different realm of brand, retail store or the service efficiency, with access to exclusive arenas of shopping, five star lounges with sumptuous snacks, availability of on line purchases, information, check-ins, prior intimation about discounts and schemes, exclusive shopping sessions, preferred positions and up-gradation to better class travel, hotel rooms stay, in addition to the availability of free tickets to travel, films, operas, etc. against the points earned on the business given to the marketing firm.

Advantages of Customer Loyalty Programme

The basic advantage will always be building up of long-term relationship with the customers and ensuring better and higher brand loyalty and brand preference. But behind all the relationship building activities, the fundamental reason is to get more business from the committed lot of

customers. The marketing firms usually establish loyalty programmes in order to get the following advantages to their business:

- 1. It helps build up a committed and captive universe of loyal customers for all promotional programme of the firm. Many times, the members of the loyalty programme themselves will log on to the websites, or visit the firm's services facility to find out as to what new is happening there.
- 2. The cost of communication is economical as compared to the large scale campaigns addressed to an unknown audience.
- 3. Profit realization from such a dedicated buyer is always higher.
- 4. It ensures a progressive growth of business as the customers tend to spend more in order to fulfil their loyalty programme minimum base point conditions.
- 5. The seller is benefited by way of attaining a good perception for itself among the loyal customers.
- 6. The loyal customers act as brand ambassadors for the business.

BUILDING BRAND LOYALTY PYRAMID

A brand that has been built over a long period of time and effort becomes the most valuable asset for any firm. The brand is said to be successful only when it has a loyal set of customers who like to buy the brand time and again without switching over to the competitive products. The American Marketing Association has defined the brand loyalty of the customers towards the brand as "the situation in which the consumer generally buys the same manufacturer's product, originated product or service repeatedly over time rather than buying from multiple suppliers within the category." Every marketing firm endeavours to convert each new customer that comes into its fold into a loyal customer. But all customers cannot be called loyal as they tend to move away from the marketing firm if they are not satisfied. The customers who are of indecisive nature or who would like to try variety to add new tastes to their life also do not stay for long with the products or services of the marketing firms. The marketer can ensure that he gets the customers stay back and become loyal to the brands offered by him, only if he strategically handles and treats the customers' need in a manner that the customer is always delighted by the products and services offered by the firm. The marketer will have to develop a customer loyalty pyramid as suggested by David Aaker.⁴ David Aaker has opined and advocated that there are five levels of brand loyalty in which the customers of the marketing firm can be grouped. These levels can be treated as progressive levels and it should be the task of the marketing firm to make sure that the customers move from one level to the other progressive levels till all its customers, sometime or the other, touch the peak level of the loyalty pyramid. Figure 12.7 displays the five levels of loyalty pyramid.

- 1. The bottom level of the pyramid displays the non loyal customers of the firm's products and services. These customers are indifferent to brand and its values. They are more price conscious customers and can switch to any brand that matches their price equation of the product.
- 2. The second level of the customers remains vulnerable and amenable to any competitor move as their satisfaction level with the brand is not strong enough to retain them to the brand.



FIGURE 12.7 The Loyalty Pyramid

Source: Aaker David A., Managing Brand Equity: Capitalizing On the Value of a Brand Name Brand, Free Press, New York 1991.

- 3. The third level of the customers is made of the satisfied customers whose switching can cost heavily to the marketing firm. The firm has spent enough of its scarce resources like brand building activities, time, money and efforts to gain competitive advantage and loyalty over the competition. The competitive offer cost has to be more than the cost of the resources already spent by the firm on these customers.
- 4. The fourth level of the customers really likes the brand. They have formed an emotional attachment to the brand. They have had a long association with the brand.
- 5. The fifth category of the customers is from a totally committed and loyal set of customers who find it a matter of pride to own and possess the brand. Their personality gets exhibited and expressed by using the brand. Such customers will not move away from the brand at any cost.

CUSTOMER RELATIONSHIP AND CUSTOMER SATISFACTION

Satisfaction arises only after the marketing firm has been able to understand customers' needs and behaviours and has been able to provide him the tangible product and intangible benefits to his internal satisfaction. We have seen in the four components of the Customer Relationship Marketing Pyramid that all efforts of the marketing firm are directed towards the satisfaction and delight of the customers. But all efforts can go waste if the product seller/service provider does not understand the customer as an individual. He must understand why all these customers come to his delivery points and spend their money on the products or services sold by him. The 'why' can be answered only by understanding the motivations behind their patronage. Though it is not the intention to conduct a thorough research into consumer behaviour in this chapter, we must find out how important it is for a marketing firm to understand the customers' needs and behaviour.

While we all understand that it is the motivation that controls the human buying behaviour, the key to understanding human buying behaviour has to come through the understanding of those motives that pull a customer to the firm's products, retail sellers, service facilities and delivery points. The motives are the inner urges, an inner sense of inadequacy that propels a consumer to look for a corrective step to fill this inadequacy, a step in the direction of finding a product or service to fulfil that inner gap. This activity of the consumer is also called finding a solution to fulfil a need.

The marketing firm has to understand the following complete process of customer buying behaviour before the customers can actually send him the signal of having been satisfied and delighted and are willing to extend any kind of loyalty for the firm's brands and products.

Understanding the Beginning of the Actual Need in the Mindset of the Customer

The firm has to understand that the need generation is a process that had begun much earlier in the mindset of the customer, much before he even had seen the firm had made provisions for the brand products or made provisions at the delivery points. The want of the customer had arisen first and got converted into a need when the customer walked into the distribution point to look at the provision of goods, brands and services to meet his need or got exposed to the information about the marketing firm's products and services from many other sources of information.

Understanding the Process of Search and Information

It is only when a dissonance is created in the mind of the customer about a gap between what he already has and what he requires in fulfilling the need that a customer will start gathering information about the products/brands or the services available. The dissonance needs to be attended by the marketing firm by providing the products and services so advertised by it on the information channels.

Understanding how a Customer Evaluates all Alternative Sources

The products advertised and the information about the products, brand or the services available at different sellers and the service providers must have caused a kind of disequilibrium in the mind of the customer. This is also the stage when the customer will be seeking more information on products, brands, services and the firm. We will see it separately in this chapter as to what factors and criteria influence the mind of the customer while deciding which product/brand or service provider he should prefer to patronize and buy from.

Understanding the Process of Purchase from a Particular Source

The buying decision will be completed only when the customer agrees to the price quoted by the salesman at the sales point and he is finally willing to pay the price quoted. The customer by now has evaluated the product/brand/service that he requires to fulfil his need and has agreed that at the quoted price the item bought by him will provide him the satisfaction value equivalent to the price paid. If it offers him the value plus against the price paid, it might even delight him.

Understanding the Post-purchase Behaviour of the Customer and Preventing Dissonance

The customer can go either way after he has bought the product or he has availed of the services. He can have a feeling of desire fulfillment and satisfaction achieved if the product, brand or the service provided, accompanied physical evidence, and the purchase process meet his expectations. Or he can have a negative sense of disagreement if the brand, product/service, physical evidence

and the purchase process fail to fulfil his expectations. The marketing firm at this stage has to help the customer adopt the positive reinforcement of a good decision made in patronizing the firm's brand and in selecting the source from where it has been bought. However, the customer may not be willing to reveal his inner psyche and other peculiarities. There are varieties of other modes a firm can adopt to study his customers and their behaviour, in order to prepare a complete profile. Some of these modes are electronic surveillance, market research, use of questionnaire, survey forms, and direct observation at the delivery points, consumption patterns, and sales scan projections. Exhibit 12.2 exhibits the use of electronic scanners in establishing data base of the consumers for relationship marketing by marketing research companies in Europe.

Exhibit **12.2**

USE OF ELECTRONIC SCANNERS IN ESTABLISHING DATA BASE FOR RELATIONSHIP MARKETING

Many international research companies in Europe, the United States and in some of the emerging markets where shopping malls are growing every day record sales and movement of goods data from the tapes and scanners attached to the billing counters. Transactions are recorded and analysed for the day for each product. Information can be obtained on the movement of goods, on consumer preferences for size, packing, and for many other activities, for example, instant reaction at the point of purchase discounts sales offers, schemes, and point of purchase display effectiveness. In addition, such scanners are also used to record details of sales made throughout the week. Such scanners are not allowed by many stores in order to maintain the privacy of the customer. In such an event, companies have their own customer panels that are issued identity cards which they have to present when they make their purchases in designated stores which enable the store to record data of select customers

Home scanners are adapted to record the day's shopping by a selected panel of customers at their own homes on the scanners provided by the research firm.

(Source: Justin Paul and Ramneek Kapoor, International Marketing Research and Cases, McGraw-Hill, New Delhi, 2008, pp. 90-91.)

FEATURES THAT CUSTOMERS LOOK FOR IN ESTABLISHING A SATISFYING MARKETING RELATIONSHIPS

It has become a prestige point for the customers in today's brand markets to associate themselves with good brands and flaunt it too. Besides, firms always look for a place where the customers can conveniently find their choice brands or the preferred services to fulfil their needs. There has been a dynamic change in the appearances of retail stores, shopping malls and other kinds of service facilities. The sales and service outlets are always vying with each other to offer better assortments and products mix to the customers, besides offering a wider range of service, the marketing firms are dealing in. But the fact remains that most of product selling and service administering places cannot be distinguished from each other as they are all offering almost similar product mixes, layout and format and even undistinguished services. How does a retail brand seller, a service provider

or a shopping mall lessee make his service and service delivery look different from others in order to improve customer responsiveness, is a moot question for all of them. We look at some of the features that can help product sellers, retailers, shopping mall stores and service providers design their sales and service programmes to improve customer responsiveness.

Customers Look for Range of Product Mix and an Assortment of Services

Initially, a customer walks into the shopping mall, a store, or a retail point and a service delivery facility to look for the basic products and services that could meet his need. But it is the range of other premium product, brands, and value additions to the products and the services that could offer him an assortment of choices. Hence, it is the range of product mix, value additions and value added services that could make him patronize the marketing firm. When a customer notices that all his needs can be fulfilled under one roof and that he does not have to look for variety anywhere else, he would like to come to the same brands, products and the services facility time and again.

Customers Look for Convenience of Buying Brands, Products or Services

The definition of the convenience of availability of brands and services today has become all encompassing. Besides the convenience, the customer also looks at the comfort of shopping. He does not want to search ten places to meet his ten different demands. The value of time has made him look for the fulfillment of all such needs at the place that is convenient to approach and is comfortable to be in. That is why the trend of check-in booths and kiosks, Internet websites and Internet terminals of many product selling firms and other service providers such as shopping malls, retail stores, food stores, grocers, airlines, banks, insurance companies and mobile telephone companies can be found in the neighbourhood of his office and residence. These trends are fast catching on with such kind of retail sales organizations. The consumer prefers shopping from these convenient electronic and computerized shelves as these are very convenient and comfortable too during week days, when time with him is limited and hard to press by.

Customers Look for Approach Convenience

The cost of travel and the time taken to travel are the two major factors that affect a customer's decision to select a seller and the service provider. In metropolitans like New Delhi, Mumbai, Chennai and Bangalore where distances and the cost of travel is too high, people will obviously patronize shopping malls, retailers, restaurants and other services outlets that are in vicinity to their residences and offices. Even in B class cities, many of the malls that were started outside the city limits have realized that the novelty of a new place wears out faster if it is not within convenient reach. Hence, it is the neighbourhood that has suddenly become more important than the downtown markets or beyond the city limits.

Customers Look for Affinity

Customers definitely look for a kind of fellow feeling. That means the socio-economic and ethnic factors definitely play a large role anywhere in the world. The customers will like to patronize those brands, products and shopping places that are in consonance with their mindset, thinking faculty,

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cultural proximity and economic background. If a marketing firm can understand this, then it can accordingly decide to have its own customer segment and clientage who could feel comfortable and at home in buying the firms' brands and products and other service facilities. Many international companies had to change their approach on this after realizing that in Asian countries, they will have to have service delivery points that are based on Asian formats rather than replanting American or European format of food outlets. McDonalds, Pizza Huts and Barista are operating with more Indian versions of their food outlets in India as can be seen from Exhibit 12.3.

Exhibit 12.3

McDonalds Creating Affinity with the Strategy of Localization in Globalization Approach

McDonalds follows the Indian Way

McDonald is a good example of how global strategy has been devised to fit each individual country within the global plan by the food retailer, even though each culture has a different and diverse need...

In India, the company advertises in Hindi, "*McDonalds main hai kuch baat*", and theme emphasis on advertising in India is familyoriented, a very important and dear to all, an aspect of Indian culture. Such



advertising in local language appeals directly to the local culture. It uses local cultures' festivals and fairs like the Kite festival in Gujarat, bhangra dance of Punjab, and bihu of Assam and pongal of Tamil Nadu while adapting its global communication strategy through the local cultural environment, and advertises in Gujarati, Punjabi, Assamese, or Tamil language

Sources: Justin Paul and Ramneek Kapoor, *International Marketing: Text and Cases*, Tata McGraw-Hill, New Delhi, 2008. pp. 115–116); http://www.tropicalisland.de/india/rajasthan/jaipur/images, accessed on 27 February 2010

Customers Look for Sense of Belonging

Even though the marketing firm would have provided all the ingredients that his customers look for in a good brand, the retail channel and the service delivery point and its ambience, if the customer does not feel that he belongs to the place, he will feel uncomfortable visiting that outlet again. The firm undertakes all the customer relationship marketing exercises to make the customer believe that the marketing firm and all the brands marketed by it belong to him and that he is, in fact, part of the whole business. The sense of belonging will come by extending to him the familiar atmosphere, the familiar language, the necessary courtesy and plenty of feel at home ambience to make him come back to the firm regularly.

CUSTOMER RELATIONSHIP OPTIMIZATION WITH EFFECTIVE COMMUNICATION

It is very difficult to retain a loyal customer for long as the business environment is today very dynamic and ever changing. The exercise in customer relationship has to be constant effort to not only remain in touch with the customer but also to keep him informed as to his needs, his ideas and his aspirations are being taken care of by the marketing firm to optimize the solid relationship built between the two.

In order to achieve this, the marketing firm must find ways and means to manage and analyse the data on his customer base; evolve new opportunities to provide better products and services to his customer base and create long lasting customer relationships. He must be always in touch with his customer through effective communication to optimize customer relationship marketing. This is possible only when the firm undertakes the following six-point strategic optimization of the communication process.

Objective Analysis of Customer Relationship Marketing Strategy

The analysis of the marketing relationship strategy adopted by the firm has to be an ongoing objective analysis at the firm's end to understand if the CRM platform designed by it still serves the same purpose for which it had originally been created. The customers' values, perceptions and expectations from the services, products, service levels and service standards keep changing. The CRM system has to have an inbuilt appraisal system to critically analyse the effectiveness of all the four components of Customer Relationship Marketing. The firm must evolve an effective communication strategy to successfully nurture new leads, and manage the current lot of loyal customers by providing them the value plus of brand and its services. The marketing firm must also evolve a communication system to stay in touch with its loyal, regular customers on a consistent basis, and continue to attract the new entrants to the platform of loyalty programme instituted by it.

Segmenting Customers' Data by Business Volume and Value

We saw in the loyalty programme above how a marketing firm and a service provider, many times, create progressive loyalty CRM programme to build up some base of volume and value business and then take it off from there to the next level of business volume and values. The segmentation of the customer data base will help it optimally use the information and communications tools and modes to reach the right universe, rather than aiming the one communication mode for all.

Identify Customers' Influencers

All customers cannot be influenced in the same manner. The firm has to identify how and which strategy designed by it will be successful with what levels of influencers that can move the customers' responsiveness. The marketing firm has to accordingly devise the communication policy to address the influencers.

Appraise Each Customer's Affinity and Responsiveness

The firm has to keep in mind that the optimization of CRM and its communication will be achieved optimally only if it has been received and understood by each of the customers in the same way in which it had been designed and conveyed for a message, product or service. That is why it has to devise and evolve a continuous appraisal system for each of the customers' affinity to the communication and his responsiveness.

Appraise the Frequency of Contact

The marketing firm has to maintain only adequate and optimal communication with the components of CRM. It has to ensure that the communication addressed to the customers on customer relationship marketing and other loyalty programmes delivers the desired results by appraising the effectiveness of communication system set up periodically and reducing or increasing the frequency of contact as the situation demands.

The firm, thus, has to perform a very detailed performance analysis of all the components of customer relationship and communication models adopted to understand the efficacy of the product mix and the services basket that it is offering to its customers and the communication models that it has selected to reach the customers. A detailed cost and benefit analysis will also provide an insight into the profit opportunities that may exist on the optimization of the current systems involved.

Exhibit 12.4

CRITICAL STEPS TO ESTABLISH CUSTOMER RELATIONSHIP CULTURE FOR BETTER CUSTOMER RELATIONSHIPS

Eight Critical Steps to Establish a Customer Relationship Culture

- 1. Customers are the reason for work, not an interruption of work.
- 2. Train, train, and continue to train and cross train your entire staff to be able to assist a customer regardless of their department.
- 3. Empower your staff to serve.
 - Establish a system of resources for your staff to serve the customer.
 - Establish a discretionary budget that an employee may access to recover a customer before you lose them.
 - Ask your staff what tools would enable them to provide better service to empower and enable staff with the necessary tools to serve you customer.
- 4. Make service personal.
- 5. It is okay to say "Yes", even when you should say "No".
- 6. Offer a solution.
- 7. Recognize your staff members for outstanding service.
- 8. Ask your customers what they think of your service.

Source: Anthony Mullins Critical Steps to Establish a Customer Service Culture, http://ezinearticles.com/?8-Critical-Steps-to-Establish-a-Customer-Service-Culture&id=37272, accessed on 7 July, 2011

A farsighted approach, however, will tell a firm that an objective analysis of CRM must be undertaken to:

- 1. Understand the current position and devise the future strategies as the customer values keep changing and the firm has to keep pace with the change in customer's values and perceptions.
- 2. Make the system of objective analysis a research into the exploration of new customer delight possibilities and profit opportunities.
- 3. Evolve a long-lasting and effective customer relationship strategy based on the constant objective analyses.

SUMMARY

In this chapter, we have elucidated on the management of relationship marketing in the current competitive environment.

- Relationship marketing refers to all those marketing activities that a marketing firm undertakes to build up and cement the business relationships with its most valued customers.
- These customers are also the backbone of the marketing firm's turnovers and profits.
- A marketing firm will love to protect its loyal and most regular customers.
- It will be the prime task of a firm to constantly analyse, revise and update the customer relationship building and management strategies adopted by it to strengthen customer relationship.
- Customer relationship management activity is based on four components that are referred to as the establishment of financial relationships, social relationships, structural relationships and customized relationships and the establishment of loyalty programmes.
- The marketing firm can optimize its strategic relationship marketing by analysing its brand loyalty pyramid situation and ensure that all customers progressively move from the position of switchers to the satisfied group and eventually to the loyal customers.
- The marketing firm must always be in touch with its customer through effective communication to optimize the customer relationship marketing. This is possible only when the firm undertakes the sixpoint strategic optimization of the communication process, i.e. objectively analysing CRM, segmenting customers' data by business volume and value, identifying customers' influencers, appraising each customer's affinity and responsiveness, and appraising the frequency of contact.

OBJECTIVE TYPE QUESTIONS

- 1. Which of the following is True about customer relationship management programme?
 - (a) It builds up loyalty of the customers
 - (b) It offers value plus in the shape of additional services and activities
 - (c) It is undertaken to establish direct communication with loyal customers
 - (d) All of these
- 2. Which of the following is not one of the components of customer relationship management programme in retail business?
 - (a) Establishing customer data base and allotting a personal identification

- (b) Developing customer loyalty programme
- (c) Providing VIP treatment and custom-made handling of loyal customers
- (d) Introduction of new sales channels
- 3. The advantages of customer loyalty programme include
 - (a) Building up a committed and captive universe of loyal customers
 - (b) Economical cost of communication
 - (c) Higher profit realization from such dedicated set of buyer
 - (d) All of these
- 4. While understanding customers' needs and behaviours, a marketer has to understand
 - (a) The process of the beginning of the actual need in the mind of the customer
 - (b) The process of search and information gathering on the product by the customer to fulfil that need
 - (c) The process of purchase from a particular source
 - (d) All of these
- 5. A service provider undertakes the objective analysis of customer relationship management programme in order to understand
 - (a) If the CRM platform designed by him still serves the same purpose for which it had originally been created
 - (b) If customers' values, perceptions and expectations have changed over time
 - (c) To have an inbuilt appraisal system to critically analyse the effectiveness of all the components of customer relationship management
 - (d) All of these
- 6. An objective analysis of CRM must be undertaken to
 - (a) Understand the current position and devise the future strategies
 - (b) Research into the exploration of new customer delight possibilities and profit opportunities
 - (c) Evolve a long-lasting and effective customer relationship strategy
 - (d) All of the above
- 7. Relationship marketing strategies can be broadly catalogued into
 - (a) Financial relationship strategies
 - (b) Structural relationship strategies
 - (c) Social relationship strategies
 - (d) Customized relationship strategies
 - (e) All of the above
- 8. State whether the following statements are true or false:
 - (a) Satisfaction arises only after the marketing firm has been able to understand customers' needs and behaviours and has been able to provide him the tangible product and intangible benefits to the internal satisfaction of the customer.
 - (b) The buying decision will be completed only when the customer agrees to the price quoted by the salesman at the sales point and he is finally willing to pay the price quoted.
 - (c) The brand is said to be successful only when it has a loyal set of customers who like to buy the brand time and again without switching over to the competitive products.
- 9. Fill in the blanks:
 - (a) Establishing _____ with the customers can help bring in a sense of belonging among the customers and develop a permanent relationship.

- (b) _____ means all departments of the manufacturing and marketing firm should work with complete orientation of "customer first".
- (c) The tripod on which the relationship functions is quality, _____ and relationship marketing.
- (d) _____ is a concept that is based on the transactional value of making the products available to the customer.

REVIEW QUESTIONS

- 1. What is the importance of relationship marketing for a marketing firm? Explain with the help of examples of customer relationship activities undertaken by marketing firms.
- 2. What are the major components of relationship marketing programme undertaken by marketing firms? Explain each component in detail by quoting examples.
- 3. What is a customer loyalty programme? Explain how a sustainable marketing relationship can be established with consumers by progressive loyalty programme.
- 4. How can a marketing firm achieve optimization of relationship marketing strategy through effective communication? Explain the six-point agenda.
- 5. Write a short note on customer relationship and brand loyalty.



1. In order to understand the application of relationship marketing programme by a marketing firm, visit a marketing firm in your town. Discuss with the staff if they have instituted any relationship marketing programme and analyse the same in the classroom.

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	Answers to Objective Type Questions							
			2. (d)	3. (d)	4. (d)	5. (d)	6. (d)	7. (e)
		(a) True, (b) True, (c) True(a) Social relationships, (b) Relationship marketing, (c) Customer service					ervice	
T		(d) Traditional marketing						Г



Mission Statement of Jet Airways

- ▲ Jet Airways will be the most preferred domestic airline in India. It will be the automatic first choice carrier for the travelling public, and set standards which other competing airlines will seek to match.
- ▲ Jet Airways will achieve this preeminent position by offering a high quality of service and reliable, comfortable and efficient operations.
- ▲ Jet Airways will be an airline which is going to upgrade the concept of domestic airline travel—be a world class domestic airline.
- ▲ Jet Airways will achieve these objectives whilst simultaneously ensuring consistent profitability, achieving healthy, long-term returns for the investors and providing its employees with an environment for excellence and growth.

Source: http://www.jetairways.com/EN/CH/AboutUs/OurMissionStatement.aspx, accessed on 28 February 2010

INTRODUCTION

Jet Airways, the main commercial airliner of India, is firmly entrenched as a market leader in the mindset of many frequent fliers. The airline has many times earned the distinction of 'Best Domestic Airline', on account of a very strong rating given to it by its dedicated, committed and loyal members of its frequent fliers club. We will, in this case study, undertake an analysis of the customer relationship strategies adopted by Jet Airways in the face of intense competition from companies like Kingfisher, Air India, and the low fare operators like Go Air, and King Fisher Red.

The commercial airliner Jet Airways operates more than 365 flights daily with a fleet of 80 aircraft, which includes 10 Boeing 777-300 ER aircraft, 8 Airbus A330-200 aircraft, 53 classic and next generations Boeing 737-400/700/800/900 aircraft and 9 modern ATR 72-500, Turboprop aircraft. Jet Airways operates flights to 59 destinations that touch almost every airport of India and many abroad. Its flights operations abroad include flights to New York (both JFK and Newark) Toronto, Brussels, and London (Heathrow), Singapore, Kuala Lumpur, Colombo, and Bangkok. It flies its commercial flights to Kathmandu, Dhaka, Kuwait, Bahrain, Muscat and Doha also.

BACKGROUND

Jet Airways as a service company is a very strong believer in building relationships in services, and as seen from the company's corporate mission, it believes that a passenger is not a customer, rather he is an honoured guest on the airlines and as such should be accorded the status by recognizing his value to the company. The company in its mission statement states "*Jet Airways will achieve this pre-eminent position by offering a high quality of service and reliable, comfortable and efficient operations*".

The company, in order to achieve the status of an efficient and customer friendly airlines, has instituted many strategies to show to its valuable customers that it definitely cares and that the company is in a position to offer them high quality of services, and reliable, comfortable and efficient operations by building up unique kind of relationships with the customers. The company has instituted a separate JET PRIVILEGE SCHEME for its frequent fliers to let them never feel away from the airlines and convey a sense of belonging to those customers.

JET PRIVILEGE: THE CUSTOMER LOYALTY PROGRAMME

Jet Privilege scheme offers to its frequent fliers India's first 5 tiered loyalty programme. Each tier of the programme offers its own unique set of privileges to the members of frequent flier club called Jet Privilege. The membership to the scheme offers value adding features such as personalized interactive online access to membership, ease of enrollment, multiple mileage earning opportunities, accrual of jpmiles on jet airways facilities, wide range of programme Partners and many other in-flight and in-transit facilities and privileges to the member fliers.

Benefits and Privileges

Jet Privilege members are entitled to an identification card of various colours and a range of special benefits and privileges befitting their tier status, as mentioned below:

- ▲ Web check-in, Tele check-in, Kiosk check-in, Check-in at First class premier counters.
- Première counters for Jet Privilege Platinum, Gold and Silver members can check-in at the First Class
- ▲ Première counters, even when travelling Economy class.
- ▲ Jet Airways Citibank Gold Credit Cardholders can avail of this facility at airports in India.
- ▲ Jet Privilege Platinum and Gold members and Première passengers can also check-in at the exclusive Park Avenue counter at London Heathrow.
- ▲ Lounge access.
- ▲ Additional baggage allowance.
- ▲ Guaranteed reservation up to 24 hours before departure.
- ▲ Priority stand-by.
- ▲ Upgrade vouchers.
- ▲ These benefits are available on partner Airlines KLM and GULF AIR also to all members of JET Privilege.

Value Addition to Loyal Members—Enhanced Partnerships for Jet Privilege Partners

A large and strategically important list of Programme Partners allows Jet Privilege members special benefits. They are eligible to special benefits across many travel-related industries such as car rentals, hotels, and motels. The list of the Programme Partners includes some of the leading names in:

- ▲ Banking
- ▲ Airlines
- ▲ Hospitality
- ▲ Car rental
- Telecommunication services
- ▲ Publishing.

JP MILES

JP miles is a term used for the mileage points that a travelling guest can earn whenever he flies on a jet airline's flight or its partner's flight. The miles so earned can be accrued and redeemed against the free flights, hotel stay and many other shopping benefits whenever the guest wants to do it.

Jet Privilege provides members with an exclusive opportunity to earn Partner Jpmiles while they take a scheduled flight with Airline Partners, Lufthansa, and KLM Royal Dutch Airlines, SWISS, Austrian Airlines, Northwest Airlines, Gulf Air and Qantas on a qualifying ticket / sector. They can also redeem Jpmiles for Award Tickets on flights operated by Airline Partners—Lufthansa, KLM Royal Dutch Airlines, SWISS, Austrian Airlines, Northwest Airlines, Northwest Airlines, Northwest Airlines, Northwest Airlines, SWISS, Austrian Airlines, SWISS, Au

Benefit of using jpmiles for foreign travel: Jet Airways has strategic frequent flyer alliances with Air France and South African Airways. Jet Privilege members can now accrue and redeem Jpmiles by flying Air France from Bangalore, Chennai, Delhi, and Mumbai and onwards to 185 destinations across the globe.

Benefit of using jpmiles for hotel stay: It has further extended its facility for convenience of customers by partnering with "Worldhotels". Worldhotels have over 500 properties worldwide. And many of the premier five star hotels in India.

Benefit of using jpmiles for international mobile: Jet Airways has an alliance with telecom service provider SIM airways that allows jet privilege fliers to stay connected with the world with one international roaming number.

Benefits of Using jpmiles for car rentals: Jet Airways has global partnership with Hertz and Avis, the car rental provider with over 5,000 car rental locations to choose from.

A specimen member card for Jet Privilege club

Sources: The case study has been written from the following two sources: http://www.jetairways.com/28.02.2011 *and* http://www.jetairways.com/EN/BE/AboutUs/QualityCertification.aspx, accessed on 28 July,



DISCUSSION QUESTIONS

- 1. Explain how Jet Airways has strategized its relationship building with its service customers.
- 2. Why do you think it is necessary to organize a customer club like Jet Privilege for a commercial airliner?
- 3. How is the strategy of earning Jpmiles adding value to the building of relationships with frequent fliers of Jet Airways?
- 4. Explain the strategy of customer relationship management by Jet Airways as elucidated in the case study.

ACTIVITY

Visit the local office/website of Kingfisher/any other airlines to find out how the airline has adopted relationship marketing to keep the customers satisfied and loyal to its programme.

Market Segmentation

13

LEARNING OBJECTIVES

After reading this chapter, you should be able to

- Understand the definition of market segmentation and the process of market segmentation
- Become familiar with parametric requirements of market segmentation
- Know methods of market segmentation
- Learn how to develop a target market strategy
- Get an idea about the strategic advantages of market segmentation

INTRODUCTION

The market for any product consists of the consumers representing different needs who require products or services for fulfillment of their needs. It is often populated by these consumers to search and buy the products that they believe can match and satisfy their needs. The term 'market' is often referred to as the place where the consumers aggregate and gather as individuals or the organizations. While the product could be apparently same for all these customers, they will be interested to buy the product to meet their differently natured and often varied levels of needs. These organizations and individual customers have needs for products at a particular time and place and they also have the ability, willingness and authority to pay the price for these products as mutually agreed upon by the buyer and the seller. These markets can generally be of two kinds, viz. consumer market and organizations or commercial market.

- 1. **Consumer Market:** In such a market, individuals purchase products, services or commodities to consume or benefit for personal satisfaction, and they have no intentions to make any kind of personal profit.
- 2. **Organizations or commercial markets:** In this type of market, the activity is undertaken to sell and market the products, goods, services, or commodities for:
 - Resale to another consumer for the satisfaction of his need
 - For direct use in production
 - For general daily operations of the organizations

But in each of these markets, the variety and uniqueness of the individuals and the organizations and their needs is shifting rapidly. The marketing firms find it quite a resource exhausting exercise to cater to each and every market's distinctiveness and diversity. The heterogeneity of the market poses a big challenge to the producers of goods and providers of services to cater to each need, each whim and fancy. For example, it will be difficult for a car manufacturer to customize and build every single car produced to cater to a single car customer and satisfy his need. Somewhere, the car manufacturer has to look for homogeneity within the diverse and heterogeneous market and find a market large enough that can be commercially made viable and need satisfying quality of the car made acceptable to the varied customers. Manufacturers and marketers have to find ways and means constantly to differentiate their homogenous products and services acceptable to these individual needs and satisfactions. They have to fashion their products and services offerings and their marketing strategies visibly distinct, distinguishable, comparative and better than their next competitors. This is where market segmentation plays a very important role. Marketers adopt the market segmentation strategy to translate the heterogeneous consumer need market into homogenous segments where the consumers will have relatively more homogenous need, desires and expectations from the products. Thus, it can be said that market segmentation is based on the recognition of the facts that:

- 1. Market is supposed to be made up of many kinds of smaller or submarkets or subdivided groups of consumers, distinct from each other by their peculiar behaviour and differentiated needs.
- 2. These subgroups of subdivided markets can be physically distinguished from each other to be called a different segment. Yet their members' needs and demands remain homogeneous to each other within each identifiable segment, thus presenting congruity within the group but apparently differentiated from the other group, belonging to another segment.

WHAT DOES MARKET SEGMENTATION MEAN?

Market segmentation is a marketing expression of putting together of prospective customers into subgroups or segments that have common needs. This subgroup or segment (consisting of consumers with common needs), speaking, in the marketing terms, will respond similarly to a common marketing strategy, common marketing offer and any kind of universal marketing action by the marketer. Market segmentation of this kind will enable the marketer to target different categories of consumers who perceive the full value of certain products and services differently from one another under a differentiated yet made common group when they are put together under one universally identified segment. The marketer can generally make use of the following three criterian to identify different market segments:

- 1. Defined homogeneity of customer needs that spells common and similar needs within the segment.
- 2. Distinction that makes each segment identified and unique from other groups.
- 3. Degree and extent of the reaction and response of the members of the subgroup or the segment to the marketing strategy and offers of the market.

OBJECTIVES OF MARKET SEGMENTATION

Market segmentation is one of the primary and important steps in developing any kind of marketing strategy.

- 1. By segmenting the market, the marketer can identify and segment groups of customers and markets with similar needs and responses.
- 2. Thereafter, the marketer, by way of the process of targeting, determines on which segment of customers he should focus his designated resources and energy and services.
- 3. Eventually, the last step of positioning of the product portfolio is undertaken by the marketer. Positioning is about how the product (or product portfolio) of the marketing firm should compete with other competitors catering to the same group of consumers in the targeted market. The goal of segmenting the market into homogenous groups of consumers is to identify, focus on and cater to the needs of selected customers in a better, optimized, profitable and satisfying way.

The process of market segmentation and how the marketer can achieve this depends on the individual marketing firm's capability to service the markets of different and divergent consumer groups so identified and segmented by it.

For example, a company dealing in a single product may be able to convert the customers into actual sales if it is in a position to identify and target consumers who have made up their minds to purchase the product and decided to buy the product of the marketing firm. But a company with a large product mix and having several brands in its competitors' category will have to strategize and market its products by positioning each brand within the product mix against distinct consumers' needs.

There can be many objectives why should a marketing firm go for segmentation and strategize its markets. Some of the objectives that we can identify from the modern firm's point of view definitely have a very strong strategy of defending and consolidating a firm's position in the competitive market. These objectives can be identified as follows:

- ▲ To defend against the competitive strategies of competition
- ▲ To strengthen in segments where the core competencies are better
- To become the segment leaders and become important to a few rather than become unimportant to many
- ▲ To create and take advantage of the brand perception
- ▲ To work on the strategic promotions unique to each segment separately

To Defend Against the Competitive Strategies of Competition

The firm has to focus on its customers in a manner that they stay long enough with the company without moving away to the competition. This can be achieved only if the firm is able to focus on every identified segment of the customers in a very focused and objective manner.

To Strengthen in Segments where the Core Competencies are Better

The synergy of firm's efforts can be better utilized when if focuses on its core competencies. In case the firm's core competencies can be better utilized in select segments, it would like to concentrate on these select segments only rather than spreading on the core competencies. For example, if a fashion designing firm knows that it has better competencies to market its products to the ladies fashion segment only, it will definitely not like to enter the gents' fashion market and unnecessary waste its resources.

To Become the Segment Leaders and Become Important to a Few Rather than Become Unimportant to Many

The firm will like to become a preferred brand among its loyal set of customers rather than being known as one of the many available in the marketplace.

To Create and Take Advantage of the Brand Perception

The brands are not developed and built by the marketing firms overnight. It takes many years of promotional efforts and resources to get into the desired perception of the brand from a consumer. The firm will definitely like to take advantage of the brand perception so created and would like to further cement the relationships so built with its loyal customers. It creates separate segments for each sizeable set of consumers with strong perceptions favouring the firm.

To Work on the Strategic Promotions Unique to each Segment Separately

Each group of significant consumers will have their own media preferences, language, buying habits and usage patterns. The marketing firm will have to devise and strategize separate promotional campaigns for each subgroup so forked out by it for marketing of its products.

We discuss hereunder some more objectives of market segmentation by the marketing firm.

Better Matching of the Products to Customer Needs

Customer needs differ from each other's needs. Even within the homogenous segment, the needs of the customers within the group may not be the same. For example, an air-conditioner may be bought as a proud possession to be displayed in the living room by one customer, whereas the same air-conditioner may be needed by another customer to take care of the food storage needs of the family. The marketer will have to create separate marketing and branding unique selling propositions for each segment to make the sales story and the product acceptable to different segments. The matching of the product with the specified and implied needs of the customers in respective segments provide them with a better solution to their problems and needs.

Optimize Profits for Business

Market segmentation enables the marketer to work in each market efficiently and optimize the use of resources arranged for that market. Similarly, the marketer can differentiate the price of the product into various markets, depending upon the price acceptance and price sensitivity of the market. The tangible need fulfillment and the intangible expectations of each segmented market's customer enable the marketing firm to better its price realization from each market. The variations in social status and other demographic features such as income and education levels in each market enable the marketer to raise average prices from each market and optimize profit earnings from each market.

Provide better Opportunities for Growth

Market segmentation helps the marketer to expand his activities and sales operations extensively and intensively. He can now plan both the spread and depth of each market independently and gain major market shares for his products in each market segments. The marketer can focus on each product group as per the segment of consumers selected and shortlisted by his team and expand his sales activities. The customers can be first attracted towards the lower end or the specified end of the product mix and then they can be encouraged and motivated to move to other products in the brand kitty of the manufacturer. Maruti Udyog Limited and Hyundai Santro are the classic examples of the car manufacturers who have very successfully applied such a strategy in the Indian car market. The case study given at the end of this chapter explains how Maruti Udyog Limited has been able to divide the Indian car market into different segments and attract customers from each segment to upgrade from one segment to another in order to build up their sales.

Retain More Customers

Customers do not ever remain stable and committed to the products due to the inherent dynamic nature of the markets. Any kind of better offer by competitors' or even customers' own changed circumstances may take them away from the marketing firms' products. Customer circumstances and demographics keep on changing. Their social status, their tastes, assets, and their likes and dislikes keep shifting frequently. The customers grow up in life. They become older. They get married and form families. They move upwards or even downwards in their careers. They may change jobs. Every change in the demographic, social and psychological profile of the customer may lead to a change in his buying patterns, buying habits and buying decisions. Market segmentation enables the marketing firm to market products that can be acceptable as the correct solutions to the needs of the customers at different stages of their lives. This helps the marketing firm to gain loyalty of the customers and retain those customers who might otherwise switch over to competing products and brands.

Gain Share of the Market Segment

Unless a business has a strong or leading share of a market, it is unlikely to be maximizing its profitability. Minor brands suffer from lack of scale economies in production and marketing, pressures from distributors and limited space on the shelves. Through careful segmentation and targeting, businesses can often achieve competitive production and marketing costs and become the preferred brands.

Strategies for the Marketing Communications

Product and marketing communication by the marketing firms' can be made more effective and resultoriented if it is addressed to the relevant customer audience. The corporate communication of the marketing firm can be designed to reach all kinds of public and to broad segments of customers. The product communication of the marketing firm can go waste if the target market is too extensive and spread out. Therefore, firms should have specially and specifically designed product communication and advertising campaigns by which the target customer can be reached more often and at lower cost. Segmentation offers the opportunity for marketing firms to reach the desired targeted audience and customer segment at lower budgetary provisions and attain the desired results.

PROCESS OF MARKET SEGMENTATION

Marketing firms can segment the market by adopting several bases and schemes, depending on the fact whether segmentation is being adopted on the basis of customer or on the basis of products marketed by the firm. The firm can adopt the geographical division of territory, revenue division of territory, demographic differences in the customers' profiles, e.g. age, sex, income, education, social class and status, purchasing power, propensity to pay and usage patterns. The marketing firm can make use of the buying behaviour of the customer and the psychographic factors of the market to subdivide the market into sub sections or segments. We discuss hereunder some of the major bases of segmentation used by the marketing firms.

- 1. Customer based segmentation:
 - (i) Geographic
 - (ii) Demographic
 - (iii) Psychographics
 - (iv) Buyer behaviour
 - (v) Benefits
- 2. Product related segmentation:
 - (i) Volume of business/purchase
 - (ii) Product usage
 - (iii) Product user situation
- 3. Firm and competition based segmentation: This segmentation is based on the customers' loyalty and brand preferences:
 - (i) Hard core loyal to the product
 - (ii) Soft core loyal
 - (iii) Switchers
 - (iv) Fence sitters
 - (v) Indifferent users

Customer Based Segmentation

There are various basis of segmentation as discussed below.

Geographic Segmentation

This segmentation divides the market into different geographic zones. The spread of internet today has bridged all kinds of consumer divide to a large extent. The customer in any part of the world

may end up buying the same products as his counterpart in another geographical part of the world, whether in towns or villages. Geographic demarcation sometimes is done for logistical planning too. Geographic segmentation is a very common form of market segmentation, wherein companies segment their markets by subdividing geographic area, e.g., a country's market into four to six zones based on geographical and administrative divide. This becomes easy to manoeuvre because regional differences in consumer preferences exist. The geographic segmentation provides a basis for geographic specialization of the companies' products for specific geographical markets.

Geographic segmentation can take many forms:

- (a) It can be subdivided on the basis of urban market versus rural market.
- (b) On the regional basis, such as northern region, south region, eastern India and western India.
- (c) Similarly, on the basis of zonal change in topography, temperatures etc. This is, the markets can be segmented into warm areas versus cold areas, high-humidity areas versus dry areas, high-altitude versus low-elevation areas.
- (d) Geographic segmentation is sometimes an opening for (or a prerequisite and means to) other types of segmentation. The buying habits and living conditions of the consumer may substantially differ between people of one region and another region and thus provide an easy solution to the marketer to focus on two different segments of consumers. For example, the consumers living in southern India have different eating habits and staple food as compared to the consumers of north India. This natural demarcation of geographical area and of the differences in consumer needs provide with the fully developed differentiated segments to any marketer.

Demographic Segmentation

This can happen when the marketer subdivides the market into Gender, age, income, housing type, and education level as these are common demographic variables. Some brands segment their markets on the basis of gender differentiation and are targeted only to women; others only to men. Education levels often define market segments. Demographic segmentation almost always plays some role in forming the crux of the consumer behaviour pattern and hence the segmentation strategy. Demographic characteristics that are generally used by the marketers can be elicited by the following:

(i) Age:

- (a) Infants market (new born to 1 year)
- (b) Child market (1–12 years)
- (c) Teens market (13–19 years)
- (d) Adolescent market (16–19 years)
- (e) Youth market (20–35 years)
- (f) Middle aged markets (36–50 years)
- (g) Elders' or seniors' market (50 years and above)
- (ii) Income:
 - (a) Low income
 - (b) Low middle income
 - (c) Middle income
 - (d) Upper middle income
 - (e) Higher income

- (iii) Socio-economic structure: Consumption behaviour is affected by an individual's socioeconomic status, i.e., lower income group, middle income group and higher income group. These segments are somewhat indicators of consumres' behaviour such as lifestyle, price sensitivity, and brand preference.
 - (a) **Occupation:** The segmentation of the market can be done on the basis of occupations and professions of the consumers such as doctors, advocates, chartered accountants, factory workers, government employees, etc. Figure 13.1 displays socio-economic structure in India based on the occupations adopted by different inhabitants within the country.
 - (b) **Education:** Market segments on the basis of education can be categorized as illiterates, literates, graduates, undergraduates, postgraduates, professional graduates, etc.
 - (c) **Marital status:** Markets can be divided based on the marital status of the individual members of the society. These segments can be identified as bachelor, married, spinster, widow, separated , live-in, etc.
 - (d) **Family size and structure:** The consumer groups can be subdivided based on the structure of the family and their socio-economic interaction based divisions. For example, the family system of any society can be subdivided into segments such as large families, small families, single units, and joint families.

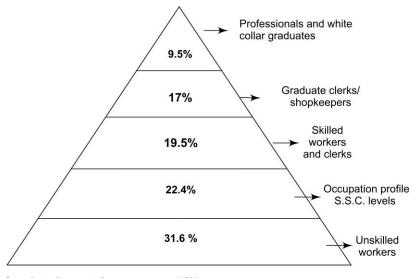


FIGURE 13.1 Socio-Economic Structure as per MSRI Source: http://planningcommission.nic.in/reports, accessed on 15 August 2011

Psychographics

Psychographic variables refer to the personality and life style differences and how the customers react to brand proposals in selecting or rejecting a product. Psychographics are factors, e.g., personality, attitudes, opinions, and life styles which are often used as a basis of segmentation by the marketing firms. These characteristics have some relationship to behaviour and provide insight

into how to communicate with chosen segments of consumers. Buyer response and decision making based on these psychographic factors may present different stages and kinds of analytical responses which can be earmarked and classified and segmented for forking out separate consumer groups for marketing of the products of the marketing firm.

Buyer Behaviour

Segmenting of the consumer market by the marketing firm in this situation is based upon multivariate analyses of consumer attitudes, values, behaviours, emotions, perceptions, beliefs and interests. Buyer behaviour segmentation is a justifiable way to segment a market if the marketing firm can identify the proper segmentation variables by undertaking research of lifestyle statements. The firm may also make use of the qualitative research techniques, e.g., focus groups, depth interviews, ethnography at this stage. Qualitative research can provide the firm the insight, the theoretical knowledge, and the consumer's exact language necessary to design the segmentation questionnaire. Buyer behaviour can be ascertained by:

- (i) Usage rate: Occasional, regular, seasonal, heavy, medium, light, and nonusers of a product. For instance, some people may like to drink one cup of tea per day (light user) while others drink 6 or more cups per day (heavy users).
- (ii) Time/occasion segmentation: The marketing firm needs to understand the occasion for which products are being bought by the consumers. Some products or services are seen as being suitable for a particular season, situation or occasion. For example, most of consumers in the Indian subcontinent will prefer an ice-cream in summer season only. The ice-cream selling marketing firms have to sell the idea to the prospective consumers and convince use of the product on all occasions and seasons to make sure the ice-cream vendors do not go out of business in winter season. The ice-cream vendor firm can further segment its market into segments, e.g., party packs, bulk buyers, small packs and, of course, cones, candies and cups.

Benefits

Benefits segmentation of the market can be identified by the marketing firm keeping in view factors such as function, durability, looks, cost, economy, premium segment, service, perception, technology and many others.

All customers do not seek the same benefits from the given products. Their needs, tastes and expectations may widely differ from each other. The benefits expected by them from products may also differ. Some of the consumers could be price sensitive. Some other customers could be interested in a product to seek quality or service. While some customers are brand sensitive and may be loyal to given brands. Some others could be frequently switching brands. It is possible for a marketing firm to identify and segment consumers on the basis of all these factors. The price/ quality sensitivity can vary by category, depending on which socio-economic segment the customer belongs to. The benefits sought from the products give a very powerful basis for segmentation of consumers. The same automobile that can be a means to travel could become a means to flaunt his status and material possessions for another customer. While one customer could be looking for comfortable travel, the other could be interested to know about the mileage covered and the fuel efficiency of the vehicle. The marketing firm will have to understand and research into the buying motives of the consumers to identify the benefits expected by them before its product is positioned

into a behaviourally based benefit segmentation basis. Benefits could be decided by administering questions about disposition to use (such as awareness about the product, product used in the past, or customer would consider using the product in future) in a survey and respondents grouped accordingly.

Product Related Segmentation

There are various basis of segmentation as discussed below.

Volume of Business/Purchase

Volume of purchases made by the prospective customers and their propensity to buy is a very simple method of market segmentation. The purchases of the customers and the volume of business provided could vary from the heavy, medium, light volume purchasers to virtually nonusers of a product. The commercial segments for a detergent selling firm could be a very large segment, but so could be the individual buyers segment who would be buying only smaller packs of detergents. But within the domestic segments of individual packs, the segments could vary as per the size of the family and their buying habits.

Product Usage

This is also called user based segmentation. The product usages could vary from customer to customer. Some customers could be using the product very rarely while others could be regular users of the same product. Similarly, some products or services are perceived as being suitable for a particular situation or occasion.

Product User Situation

Market can be segmented on the basis of different uses to which products can be put. For example, a car manufacturer may segment his market into taxi segment, personal car segment and office and commercial car segment, depending on the basis of the product user situation by the end customer.

Competition Based Segmentation

The market segmentation, as we have mentioned earlier, is based on the customers' loyalty and brand preferences for the products and brand of the marketing firm. The market can be segmented by the marketing firm into the following customer groups, with each group being serviced by way of different strategies:

Hard Core Customers

This set of customers is completely loyal to the product. They will not be switching to the competitor's product unless the circumstances of the marketing firm so warrant. Such loyal customers are hard to find, but once the manufacturer achieves the most preferred level, the loyalty builds up over the years. Generally, cigarette companies, after-shave lotions and fashion designers may have such set of loyal customers.

Soft Core Loyal

Their first preference will always remain the brand to which they are loyal.

Switchers

Customers from this segment are opportunists and will go to any of the brands depending on the offers in the marketplace, the market demand and the prevailing fashions.

Fence Sitters

Such customers wait for the seasonal discounts, campaigns and schemes to obtain the maximum benefits from their purchases and hence are known as fence sitters.

Indifferent Users

These customers are generally not brand conscious and are indifferent to the brand offered to them by the marketing firms, or their retail sellers.

It will not be ideal for the marketing firm if it decides to depend on any given single segmentation completely for all its important strategies and marketing decisions. In the market, companies marketing products e.g., detergents, clothing, motor vehicles, other white goods and fast moving consumer goods, satisfy different needs of a large and assorted segments of their consumers. The consumers with their diverse needs have different levels of decision making and purchase involvement. Some of the companies in generic products do use "generic" segmentation schemes and strategies. These companies need to ensure that in following the policy of generic segmentation strategies, their customer serving strategies satisfy the consumers and they do not risk being at a disadvantage to that of their competitors' strategies that use a customized segmentation scheme of marketing.

CRITERIA FOR SELECTING SEGMENTATION

The criteria for selecting segmentation have to be carefully decided by the marketing firm in order to ensure that it gets an identifiable and sizeable market segment for each sub section of the consumers so engraved out by it. The marketing firm has to make sure that the resources so deployed by it in each market give the optimum return to the organization and the strategies developed and made use of in these markets are in a position to satisfy the customers and yield greater profits to the firm. The market segments identified should satisfy the following criteria:

Internal Homogeneity/External Heterogeneity

This means that potential customers within a segment should have similar responses to the marketing mix and the strategy adopted by the marketing firm for servicing this segment. While the strategy and the marketing mix variable dedicated will be of great interest to this segment, it is not essential that the same strategy and the marketing mix tools would be of any interest to diverse segment who could be exhibiting a different response as compared to the member consumers of other segments.

Measurable

The size of the segment should be measurable in terms of the market share and in terms of the values and volumes available to play with for the marketing firm. The firm should be in a position to quantify the universe of the segment. It may not be possible to spell out the exact numbers, but the market segment so identified should be the large segment for the industry in which the firm has been operating.

Cost-effective

This is the degree to which the segmentation makes every potential customer a unique target to achieve the firm's objectives of conducting business in that segment. That is, the segmentation should identify a small set of groupings of substantial size. This also means the segment selected should be viable in terms of cost and benefit thereof.

Accessibility

The geographic market must be accessible and identifiable. This is the degree to which marketers can reach segments separately using observable characteristics of the segments. Intense competition will make it all the more attractive. This will also mean that the market segment has been developed due to its being a buyer's market and that each player firm will be getting into some kind of perfect competitive situation to satisfy the needs of the consumers of this segment.

Compatibility

The marketing firm has to match its own internal and external resources, capabilities and core competencies to make sure that the market segment so selected is compatible with its objectives and propensity. The compatible needs are to be assessed in terms of its own vision and mission to ensure long-term sustenance and growth in the segment.

Growth Propensity

Each market segment will have an inherent strength to grow or remain stagnant. The marketer who has been planning to make long-term investments in the market segment should look for the growth-oriented market segments rather than the inherent stagnant sections of the market.

METHODS OF MARKET SEGMENTATION

The process of market segmentation undertaken by the marketing firm to select the target market for its products and services profile is not an easy job. The process does not end merely by identifying attributes or variables of different markets. The marketing firm has to be exact and completely precision-oriented so far as the identifying of the market segmentation for its products and services is concerned. As the development of any kind of market segmentation will mean committing the scarce and valuable resources of the firm to a business unit that must be able to nurture the objectives set

up by the marketing firm in terms of profitability, customer satisfaction, growth and development of market share, future growth and brand acceptance in that segment. We give hereunder the seven stages involved in the identification of the market segmentation by the marketing firm.

Conducting a Market Survey

The survey conducted by the marketing firm takes into account various variables of the market and the components thereof, e.g., both tangible and intangible attributes sought by the customers in the products, brand awareness, product usage patterns, customer attitude towards product and competition, demographic and psychographic make up of the market to establish difference between one customer group to another customer group.

Carrying Out the Analysis of the Data Collected

The analysis of the data collected by the marketing firm will establish the difference between the needs of one customer group to those of another and the likely response from both to the product and marketing strategy of the marketing firm.

Profiling the Customers and the Markets

In this activity, the marketing firm will be able to profile its customer's characteristics. It will be able to establish as to what descriptive features, uniqueness and attributes can be assigned to one sub group of customers as compared to another sub group. Thus, it completes the process of assigning each prospective customer into some kind of cluster or a sub group of market segments.

Conducting Cluster Analysis

In the cluster analysis, the marketing firm uses a set of techniques to discover structure, or groups of individuals, within a set of data comprising measures on each individual. This cluster analysis will help the firm set up distinguishing features of one group as against the uniqueness of another group. For example, the cluster of the economy car buyers set up by the car industry in India can be cleanly distinguished as against the cluster formed by the customer group of mid-segment car buyers. Similarly, the cluster of the luxury car buyers will be consisting of completely different features and attributes, as witnessed in Figure 13.2.

Analysing Marketing Programme and Marketing Strategy

The firm here will analyse to establish whether a common programme will be sufficient for all segments and whether the firm can establish a separate programme and marketing mix for each segment.

Assessing Response to Offer and Targeting the Segment

The firm will in this activity be interested to establish which segment responds favourably to the programme and offers of the firm in order to adopt the segment for further focus and marketing activities for a profitable business.

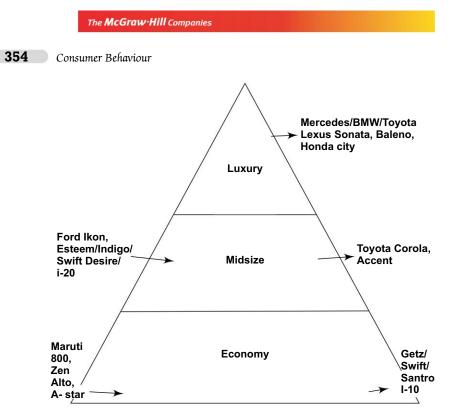


FIGURE 13.2 Market Segmentation and Brand Positioning of Indian Car Industry

Establishing Business Potential of Each Segment

The firm will be estimating the likely purchase levels by each of the segments and find out its own capacity to conduct business within each segment.

DEVELOPING A TARGET MARKET STRATEGY

Developing a target market strategy simply means the firm has to now choose and target a market where it has the intentions, plans and objectives to conduct its business and related marketing activities. Market targeting comes as a sequential task to the task of the market segmentation completed by the marketing firm. The act of market targeting and developing the strategy involves the following three stages of operation by the marketing firm:

- 1. Analysing consumer demand
- 2. Targeting the market(s)
 - (a) undifferentiated
 - (b) concentrated
 - (c) multisegmented
- 3. Developing the marketing strategy

Analysing Consumer Demand

The marketing firm has to first segregate the consumers on the basis of their need differentiation and, subsequently, aggregate those consumers with similar needs. This will help the firm find out whether the segregation so categorized into a separate segment provides it with enough demand within the subsection to be called and attended to as a separate segment.

Establish Demand Patterns

The marketing firm will now have to ascertain if all potential customers of the segment have similar needs/desires. There can be clusters of similar demands within the universe of customers too, which might obviously motivate the firm to further segment the market into smaller subgroups The types of demands patterns that the firm can get from within the segments so selected can be homogeneous, clustered or diffused.

Homogeneous Demand

The demand here appears to be quite uniform and of similar nature. The marketing firm finds that, everyone demands the product for the same reason(s). Such homogenous demand can be seen only in product categories such as staple foods, fast moving consumer goods and necessities.

Clustered Demand

The survey conducted on the consumer demand and the analysis carried out by the marketing firm will help if classify the demand into two or more identifiable clusters. For example, a firm which has conducted demand analyses of the automobiles market can identify the following clusters for its prospective customers' demand:

- Luxury automobiles
- Cheap automobiles
- Sports automobiles
- Spacious automobiles

Diffused Demand

Product differentiation definitely is very difficult to establish within each segment as it is more costly and more difficult to communicate. A firm selling cosmetics will notice that in order to differentiate its products for each segment of young ladies, middle aged and older ladies, it may need to offer hundreds of shades of lipstick in order to cater to each segment separately. In such a situation, a firm may try to modify consumer demand to develop clusters of at least a moderate size. The firm may otherwise use one common communication to reach all segments of customers.

Targeting the Market

Market targeting is the process whereby the firm has to choose its target market for selling and marketing its products and services. The task of targeting the market will involve the evaluation of different requirements and features of all the segments of the market in order to devise a suitable marketing strategy by the marketing firm.

Undifferentiated Approach (Total Market Approach)

This is also called the method of choosing a single marketing mix for the entire market and treating each component of the market with standardized marketing mix. Undifferentiated approach, thus, calls for the single marketing mix for the entire market: All consumers have similar needs for a specific kind of product. Homogeneous market or demand is so diffused that it is not worthwhile to differentiate, try to make demand more homogeneous. Single marketing mix approach of the marketing firm consists of:

- ▲ Common type of product with little or no variation
- ▲ Common pricing strategy
- ▲ Common distribution system aimed at the entire market
- ▲ Common promotional programme aimed at everybody

The elements of the marketing mix designated for each market do not change for different consumers; all elements of the marketing mix are developed commonly for all consumers. For example, a firm selling staple foods like sugar and salt and other kinds of farm produce can address all its marketing segments with a common programme for each product in its product mix. A bicycle manufacturing company like Hero Cycles can also manage with a common marketing communication and the marketing promotion mix for all its consumers.

Limitations of Undifferentiated Approach

Such a strategy of undifferentiated approach can be accepted when large scale production begins and the firm does not face much of competition. However, in an advanced and developed competitive market, this strategy cannot be so helpful due to dynamic situation, ever increasing competition, and improved marketing research capabilities of the competitors. In the developed competitive market, where the competition focuses separately on each segment, total production and marketing costs can be reduced by segmentation. Organizations must be able to develop and maintain a single marketing mix. The major objective is to maximize sales.

Market Segmentation Approach

Individuals with diverse product needs have heterogeneous needs. Market segmentation is the process of dividing a total market into market groups consisting of people who have relatively similar product needs. There are clusters of needs. The purpose is to design a marketing mix that can more precisely match the needs of individuals in a selected market segment(s). A market segment consists of individuals, groups or organizations with one or more characteristics that cause them to have relatively similar product needs. A firm can subscribe to any of the following two kinds of marketing mix strategies in the market segmentation approach.

Concentration Strategy

The marketing firm can approach and adopt single market segment with one kind of marketing mix and have another set of marketing mix for another set of consumer segments. For example, as we have noticed earlier that the Indian car market has been divided into three distinct segments of economy car, midsize car and luxury car market. In such a clearly defined market segmentation, the car companies can adopt the concentration strategies by defining a common marketing programme for each segment separately.

Advantages of Concentration Strategy

The benefits of such a strategy will include the following:

- 1. The strategy will allow the marketing firm to specialize for each segment separately and reap the benefits thereof.
- 2. The marketing firm can focus all its resources, core competencies and energies on satisfying one target segment's needs.
- 3. A marketing firm operating in the market with limited resources can compete with larger organizations, as the firm will be competing now on the isolated smaller part of the larger market.

Disadvantages of Concentration Strategy

The disadvantages of such a strategy will include the following:

- 1. The marketing firm will be exposing and putting all eggs in one basket.
- 2. The marketing firm may end up losing larger market shares from the segments in case there happens to be a small shift in the population. Any change in the consumer tastes can greatly affect the firm.
- 3. The marketing firm can have difficulties in the event of it deciding to expand its product mix and the marketing operations into the new markets and especially to the customer segments in the up-market segments. Raymond's brand is well known for its men's clothing and the company can have problems in case it decides to move into the women's apparels marketing.

Multi-segment Strategy

The marketing firm can approach and adopt two or more segments with a common marketing mix for each segment with completely different marketing plans for each segment. The firm will be, by this approach, combining the best benefits and characteristics of undifferentiated marketing and concentrated marketing. For example, Maruti cars in India can have a common programme for the economy size and the mid size segment and it can devise a separate marketing mix plan for the luxury car market segmentation. This way, it can cover all segments of the car market for its marketing activities.

Advantages of Multi-segment Strategy

The advantages of multi-segment strategy are as follows:

- 1. The firm can shift its excess production capacity whenever there is a swing in the market sentiments, and a strong change in the market demand is noticed. Thus, it can use the capacity to its advantages in both the conditions.
- 2. The marketing firm can achieve the same market coverage as with mass marketing for a larger universe by covering different segments.
- 3. The firm can maintain its product price differentials among different brands in its product mix and can improve its total realization of the price from the market in all segments.
- 4. The consumers of the marketing firm in each segment of its targeted market can be communicated the availability of a tailor-made product to match and satisfy their needs and thus ask them to pay a premium price for the premium brand.

5. The risk coverage for all its marketing and positioning exercises can be spread over a large universe of different segments and the firm will no longer be relying only on one market for its products and services.

Disadvantages of Multi-segment Strategy

The disadvantages of such a strategy are as follows:

- 1. Such a marketing strategy of multisegmentation will need a greater number of production processes and hence call for larger investments.
- 2. The firm will incur multiple Costs and need multiple resources. The firm will remain at a disadvantage due to increased marketing costs through selling through different channels and promoting more brands, using different packaging and other promotional tools.
- 3. The firm will have to be careful to maintain the product distinctiveness in each consumer group and make sure no cannibalization of one segment by the other takes place for its own products groups and product mix. The marketing firm will have to guard its image in each segment and overall to ensure the markets and the consumers do not get confused.

Strategic Advantages of Market Segmentation

Market segmentation calls for a major commitment by management to a complete customer-oriented and customer focused planning, research, implementation and control of all the marketing activities in order to achieve the objectives set up by the firm for each segment that it wants to play into.

Markets are becoming increasingly diverse and it is rare for mass marketing to be a profitable strategy. The marketing firm, in order to become profitable, has to focus its activity on various segments so that the core strength of the company can be better utilized for the benefits of the marketing firm. We discuss below some of the major strategic benefits of market segmentation strategy to the marketing firm.

Designing Responsive Products to Meet the Needs of the Marketplace

The marketing firm will be in a position to understand each of its customer's need very closely and thoroughly. The firm will be in a position to design and manufacture only such products as can get the desired response from the market. This process of segmentation will be helpful in reducing the investment gestation period to the minimum as the products manufactured and marketed as per the customer need and specification will be facing lesser competition.

Developing Effective and Cost-efficient Promotional Campaigns

The segment directed and focused promotional mix will result in lesser waste of the resources. Thus, the firm can make the optimum use of its resources and can ensure that all promotional programmes run by it in the marketplace are cost-efficient and prove effective to reach the desired segment of customers.

Determine the Company's and its Brands' Market Position

The marketing firm will be able to assess as to how the company and its brands marketed by it are perceived by its customers and potential customers relative to the competition. This can help the firm devise better competitive promotional plans for each segment separately.

Modification of Current Marketing Strategies

The segmentization of the firm's market and its activities do not expose the total universe of the firm's customers to its marketing strategies. Thus, in a way, it enables the firm to modify each segment's marketing strategies without affecting the other segment. The other segments can continue with their plans while the firm takes care of the modifications in the focused market segmentation. For example, if a car manufacturing company has to implement changes in the economy segment , it need not attempt the same changes in the other two segments, where the activities can be carried on without disturbing those segments.

Market Segmentation Enables More Accurate and Effective Communication of Benefits in Relation to Needs

Marketing segmentation helps the firm adopt and crystallize the needs of each target segment and then expect the desired predictable response from each market. The predictability and accuracy of the expected customer behaviour enables the marketing firm communicate the benefits and features of the products and services in a much more effective and accurate way. The firm can be very successful in reducing the unpredictability of customer behaviour to the bare minimum in each market segment.

Market Segmentation Helps Identify Growth Opportunities

The firm can spot the less explored areas of the customer needs and can form the same into profitable segments by addressing the hitherto unattended areas, thus paving the way of the future growth for the marketing firm.

Product Positioning

Positioning has been defined as "the identification of target markets or market, the customers that the organization will seek to serve and the creation of differential advantage, or competitive edge that will enable the organization to serve the target market more effectively than the competitor.¹" "Positioning is the process of establishing and maintaining a distinctive place in the organization and or its individual product offerings.²"

It can be observed from the above definitions that marketing firms and service providers need to design their products or the services offer to differentiate them from the competitors. This can be achieved only if a marketer knows his customers well. He must be in a position to analyse and perceive the differences in all products and services available in the marketplace from a customer's point of view. This will enable him to identify his own products and services' attributes, benefits and features that can be perceived by the customer as different from other competitors.

Product Positioning Strategies

Michael Porter³ has suggested three broad frameworks of positioning, namely achieving product differentiation, as a low cost leader, or he can also create a niche. Porter suggested that a firm can achieve excellence by focusing on one single strategy, rather than dabbling with all kinds of strategy and eventually losing focus in the process. Peter Doyle⁴ takes this discussion further when

he states that the firms should look at strategies for specific positioning, which can be based on attributes or benefits, the consumer and/or the competitors. Some of the suggested strategies are discussed hereunder.

Positioning Attributes

The firm should focus on one of the predominant attributes in its products/service to distinguish itself from others. This positioning could be easily identifiable as a different feature from similar competitors in the market. For example, Air India had for many years positioned itself as a luxury travel provider by focusing on its emblem of a *Maharaja*.

Positioning Benefits

Customers are very perceptive and analytical when it comes to analysing their own benefits from the products/services. A marketer who understands his customers well also understands how he should project his benefits larger and different from the horde of other products that the customers use in a day's time. These benefits are emphasized in all communications that the marketer establishes with the customer. Kingfisher airlines emphasizes the best treatment given to their guests, Jet airways focuses on the efficient and timely arrivals and departures. A bank like Citibank offers the convenience of internet banking to positing as the major benefit of dealing with it.

Positioning use of Product/Application of Services

The marketing firm emphasizes the use of its products or service or its application for solving its customers' problems, in order to position itself differently from the others. Domino's offer of delivering a pizza fastest in twenty minutes anywhere in the municipal limits of town is an exercise in positioning. Similarly, Idea Cellular Limited's ad to use its mobile service and save papers and trees is a unique idea of creating ecological balance.

Positioning User

The product manufacturer or the service provider gives more importance to his customer group and focuses his product offers/service specifically for them. The positioning by life insurance companies for their policies meant for children education, etc. is one such example.

Positioning Competitive Situation/Offering

The marketing firm positions its offering of products/services against the competitor as a comparative positioning. Some of the marketing companies also will present a comparative chart, etc. as an exhibit and proof. Educational institutes present and emphasize their activities such as placements, salary packages arranged by them for their students and by their competitors as a positioning strategy.

Positioning Category

Leadership positioning is emphasized by the Indian Institutes of Management, to show that they are a category apart from all other institutes in the country.

Positioning Quality/Price

Lifebuoy has always sold itself as the health soap at a very cheap price. The manufacturers of electronic products, televisions and mobiles, however, always emphasize the quality of the products and the attached sales services as the main attraction to position their brands as differently from others. Services such as airlines, hotels and courier services focus on the quality/ price of their services as a positioning exercise.

Strategy for Market Differentiation

A brand marketer has to make sure he is viewed differently by his customers so that he can create his own demand different from competition, have a loyal universe of customers and earn better yields from his products offers, services offers and facilities. The similarities of the products in the competitive market put lots of strain on the pricing and positioning strategy of the producers, and in services, due to their intangible nature, the differentiation becomes a much more difficult task to achieve. The marketer has to view each element that is not available in the competitor's product offer separately and understand as to what could be visibly tangible benefit in the eyes of the customer differentiating his products or services from the others. This evaluation for differentiation strategy should be done by the marketing firm by seeking answers to the following questions:

- 1. What is the importance of the differentiation value offered by me to the customer?
- 2. Is my products service attribute different from the competition and is it unique proposition?
- 3. Is it superior to all other offers made for similar such products by others?
- 4. Is it easily communicable to the customer? Can we establish easily understood communication channels with our customer to convey the differentiation?
- 5. Is it stand apart and preemptive differentiation, to allow and build a separate perception for ourselves, not easily duplicated by the competitors?
- 6. Is it cost-effective without putting too much cost burden on the customers' pocket?
- 7. Is my differentiation strategy profitable to the organization?

The differentiation will come through making effective use of the intangibles as well tangibles attached to the products and services.

The whole exercise is undertaken to create a unique positioning in the market, in the mindset of the customers and among many competitors who might be offering similar products and services. Thus, the process of differentiation begins at three levels of different marketing components. The marketing organization has to analyse its own positioning first, then it has to analyse the products/service attributes. The analysis will also involve a thorough understanding of the competitors' positioning, in order to match or surpass the competitive offers, that could set the marketer's products and the brand apart from the competitors. A marketing organization has to be careful in finalizing its differentiating and positioning strategy, so that each step that the organization takes brings it closer to the different perception it wants to build in the minds of the customer.

Steps in Developing a Differentiating Positioning Strategy

The marketing organization will have to undertake a complete research of the market to understand its customer behaviour and expectations, understand how customers view the competition

positioning of the industry, analyse its own resources, analyse its own product/service offers and plot every aspect on a positioning map before taking a decision and implementing the differentiating positioning strategy. The firm will have to initiate the following steps to develop a positioning and differentiating strategy:

Determining Levels of Differentiation

A product brand and the services organization can operate at different positioning levels in their life time and during various market situations. A brand of soap can be looked as the beauty soap, health soap or even a simple bathing soap. A hotel company can be perceived as a great tourist destination; it can also be looked as a competent conference and events organization services provider; or it can be a status place offering a social standing to people to organize their marriage and other family functions. The hotel can place and position itself at the corporate level, at category levels and also at the business positioning level at the same time to three different kinds of customers. All this is possible only if the organization is able to follow through the following essential steps in its positioning strategy.

Identifying Attributes

The next logical step for any marketing organization will be to determine the attributes that are significant for its target market segments to patronize and purchase its products, brands and services. These attributes are:

- 1. Identify the unique position / feature offered by the product or the services.
- 2. Identify the specific uses that can be highlighted.
- 3. Identify the value additions linked to the price of the product or the service for customer benefit.
- 4. Identify the user profile.
- 5. Identify the benefit appeal to be focused.

Customers' preferences, likes, dislikes and perceptions are analysed by market research before plotting all such attributes on the positioning map to understand which position to adopt for creating a different perception of is products and the services offers thereof.

Attributes and Positioning Maps

Differentiation is an exercise into determining the positioning of the marketing firm's offers, brand, perception and corporate image into the mindset of the customer. The customer will be able to identify the brand of the firm only if it is projected differently, as otherwise, in the event of many offers by others, the brand image and the perception do not have much mileage.

However, the firm will have to project its own identified attributes as against those of the competitors' on a positioning map to understand which attribute should be heavier and more effective than the competition so that it can be built upon strongly to create the desired impact on and perception in the mind of the customer. The marketing firm can draw such positioning maps for each offer, each customer segments separately to eventually take a decision as to what needs to be differentiated products' offers.

The firm can make use of two-dimensional attribute positioning maps to identify competitors' position vis-a-vis is own, to understand both objective and subjective perception of the customers



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about different products. We have shown this positioning mapping in Figure 13.3 to understand the concept further.

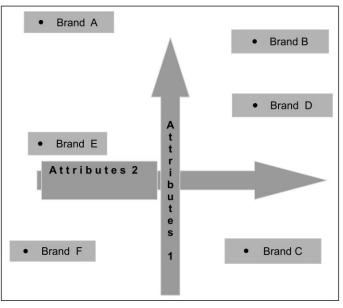


FIGURE 13.3 Products/ Brands Attributes Positioning Maps

The marketing firm can plot any of the parameters we have discussed earlier as the attributes that, in its opinion, can influence its customers' mindset, purchase decision or even long-term perception. The firm can check up about the specific offer designed by it for target customer niche, or it can also evaluate the current perception rating about its overall standing in the eyes of the customers and then plot its own competitive combative strategy in the marketplace.

Competitive Differentiation

The marketplace is crowded. In the midst of too many brands and product offers by different producers, a marketing firm will have to devise its own unique and ideal positioning that could differentiate it completely from others in the queue for gaining the customer attention. A firm can adopt any one or a combination of the following competitive differentiation strategies to move its marketing away from competitors and emerge as only one of its kind proposal, in the eyes of the target segments of his customers⁵.

Focusing on and Strengthening Current Position Against Competitors

The company in this position strongly believes in its own strengths and wants to consolidate on the same by strengthening its position in the marketplace. Jet airways has been strengthening its position over the last three years by consolidating its position against competition by improving its efficiency in delivery of services and improving its offers against Kingfisher airlines, which happens to be in the same league as Jet airways.

Identifying Gaps and Opting for Hitherto Unoccupied Position in the Marketplace

When Air Deccan had entered the market of Indian skies and aviations, it had identified the gaps of a cheaper, economical and functional airline that could deliver the service of flying customers to their destinations on cheaper fares without attaching the frills of a commercial airliner. This move of the airlines had been very successful at the time of its entry and continued to be very competitive till a few others too had come into the same identified niche and the Air Deccan airlines decided to hand over the reins to Kingfisher Red airlines.

Strategy of Repositioning to Gain Differentiation

A marketing firm needs to continuously evolve new positioning and competitive strategy for its brand, products and service offers to stay ahead of the competition. This is done by continuously reworking the offers and product benefits regularly to the identified set of customers to match or to fight the competition in the marketplace.

Some of the Common Mistakes of Market Segmentation

Segmentation activities conducted by the marketing firm many times tend to be quite cumbersome, large and complicated. The firms in a hurry to select the target markets or out of ignorance may not be getting into scientific and time tested analysis of the market segments. In such a situation, the firm can make some mistakes and errors in their exercise of market segmentation. We give hereunder some of the of the most common mistakes that the marketing firm can avoid if it is working carefully in the market and applies the scientific basis of testing market segmentation undertaken by it:

Segmenting an Already Existing Segment

For example, someone might want to segment the market for economy cars into the lower end of economy segment and the higher end of the market segment. Or segmenting the demographic of the age group of 18 years old and 24 years old into the graduates and non graduates or into the female population of the segment and the male segment of the population. Such segmenting will only lead the firm to confusing segmentation of its market and may not provide correct and identifiable segments. The firm needs to establish its parameters of segmentation in very clearly identifiable terms so that one segment does not get overlapped by the other segment.

Targeting People Instead of Value and Volume of Business

It is important that the market segment so selected represents a large percentage of the population, but a small part of the market. However, the marketing firm will always look at and analyse the business potential of market segments in terms of value and volumes and should not get carried away just by the population or the number of people in the segments.

No Mutually Exclusive Segments

All marketing firms look for mutually exclusive segmentation area of the target markets for easy work. The very concept of market segmentation has been developed upon the assumption of mutually

exclusive market segments. The mutually exclusive model of market segmentation, however, does not always apply to psychographic or lifestyle segmentation, as most of the customers' hold many overlapping tastes, ideas, expectations, needs and conflicting beliefs and attitudes. These overlaps present to the marketers all kinds of potential conflicts. The market firm will do well to develop two conspicuously dissimilar segmentation solutions: one based upon mutually exclusive segments and one based upon overlapping segments. Both of these segmentation explanations should be cross-examined by the original market and consumers' need variables to identify which type of segmentation decision can yield the most meaningful and acceptable market segments.

Finally, the adoption of the concept of market segmentation by the marketing firm is quite necessary and important in the current globalized economies of the world. It is a technique adopted to apply greater marketing energy or force to a subset of the market by the marketing firm in order to achieve the desired objectives with the optimum utilization of the limited resources of the firm. However, it has also been observed that great deal of resources can go waste if the demographic and psychographic segmentations are not clearly identified and made mutually exclusive to each other while working out the target markets for the marketing firm by way of segmentation of the markets.

SUMMARY

In this chapter, we have discussed the concept of market segmentation in the current global competitive environment by a marketing firm.

- Market segmentation is a marketing expression of putting together prospective customers into subgroups or segments that have common needs. These customers are the backbone of marketing firm's turnovers and profits.
- Market for any product consists of the consumers representing different needs who require products or services for fulfillment of their need.
- By segmenting the market, the marketer can identify and segment groups of customers and markets with similar needs and responses.
- The marketer, by way of the process of targeting, determines which segment of customers it should focus on its designated resources and energy and services.
- The goal of segmenting the market into homogenous groups of consumers is to identify, focus and cater to the needs of selected customers in a better, optimized, profitable, and satisfying way.
- A marketing firm can segment the market by adopting several bases and schemes, depending on the fact whether the segmentation is being adopted on the basis of customer or on the basis of products marketed by the firm.
- The firm can adopt the geographical divisions of territory, revenue division of territory, demographic differences in the customers' profiles, e.g. age, sex, income, education, social class and status, purchasing power, propensity to pay and usage patterns.
- The marketing firm can make use of the buying behaviour of the customer and the psychographic factors of the market to subdivide the market into sub sections or the segments.
- Development of any kind of market segmentation will mean committing the scarce and valuable resources of the firm to a business unit that must be able to nurture the objectives set up by the marketing firm in terms of profitability, customer satisfaction, growth and development of market share, future growth and brand acceptance in that segment.

- Market targeting is the process whereby the firm has to choose its target market for selling and marketing its products and services.
- Positioning refers to the identification of target markets or market and the customers that the marketing firm seeks to serve.
- Differentiating strategy is the creation of differential advantage, or competitive edge in the eyes of the customer which enables the marketing firm to serve the target market more effectively than the competitors.
- A marketing firm needs to continuously evolve new positioning and competitive strategies for its brand, products and service offers to stay ahead of the competition.

OBJECTIVE TYPE QUESTIONS

- 1. Which of the following criteria can be used by a marketer to identify different market segments?
 - (a) Defined homogeneity of customer needs that spells common and similar needs
 - (b) Distinction that makes each segment identified and unique from other groups
 - (c) Degree and extent of the reaction and response of the members of the subgroup
 - (d) All the above
- 2. Some of the objectives of market segmentation can be identified as
 - (a) Defending against the competitive strategies of competition
 - (b) Strengthening in segments where the core competencies are better
 - (c) Becoming the segment leaders and becoming important to a few rather than becoming unimportant to many
 - (d) All the above
- 3. Demographic segmentation can happen when the marketer subdivides the market into
 - (a) Gender
 - (b) Age
 - (c) Income
 - (d) Education level
 - (e) All of these
- 4. Point the odd one out in the statement "Customer based segmentation is done on the basis of
 - (a) Geographic
 - (b) Demographics
 - (c) Psychographics
 - (d) Product usage
- 5. Psychographics factors consist of
 - (a) Personality
 - (b) Attitudes
 - (c) Opinions
 - (d) Life styles
 - (e) All of these
- 6. Product related segmentation can be done on the basis of
 - (a) Volume of business/purchase
 - (b) Product usage

- (c) Product user situation
- (d) All of these
- 7. Single marketing mix approach of the marketing firm consists of
 - (a) Common type of product with little/ or no variation
 - (b) Common pricing strategy
 - (c) Common distribution system aimed at the entire market
 - (d) Common promotional programme aimed at everybody
 - (e) All of these
- 8. State whether the following statements are true or false:
 - (a) Developing a target market strategy means the firm has to choose and target a market where it has the intentions, plans and objectives to conduct its business and related marketing activities.
 - (b) By segmenting the market, the marketer can identify and segment groups of customers and markets with similar needs and responses.
 - (c) The marketing firm can make use of the buying behaviour of the customer and the psychographic factors of the market to subdivide the market into sub sections or the segments.
 - (d) The marketing firm will always look at and analyse the business potential of market segments in terms of value and volumes and should not get carried away just by the population or the number of people in the segments.
- 9. Fill in the blanks:
 - (a) A ______ is the prerequisite to segregate the consumers on the basis of their need differentiation.
 - (b) ______ segmentation helps to identify growth opportunities.
 - (c) Intense competition means that the market segment has been developed due to its being _
 - (d) The size of the segment should be ______.in terms of the market share and in terms of the values and volumes available to play with for the marketing firm.

REVIEW QUESTIONS

- 1. What is market segmentation for a marketing firm? Explain with the help of examples market segmentation activities being undertaken by an FMCG marketing firm.
- 2. What are the major objectives of market segmentation undertaken by marketing firms? Explain each objective in detail by quoting examples.
- 3. Explain the process of market segmentation. What are the parametric requirements of market segmentation?
- 4. Discuss the concept of developing a target market strategy. Explain the three stages of operation as discussed in this chapter.
- 5. Write a short note on the strategic advantages of market segmentation.



1. Visit the local branch office/distributor of any FMCG company in your area, and understand the customer segments of this office/distributor services. Find out how the consumers perceive different competitive products of similar nature.

- 2. You can prepare a questionnaire and undertake a survey of the consumers visiting the local shopping area to understand how globalization has changed their buying habits. Discuss the results and findings in your class.
- 3. In order to understand the application of market segmentation programme by a marketing firm, you should visit the local office of a marketing firm producing consumer products in your town. Discuss with the marketing staff about the market segmentation programme implemented by the company and analyse the same in your classroom.

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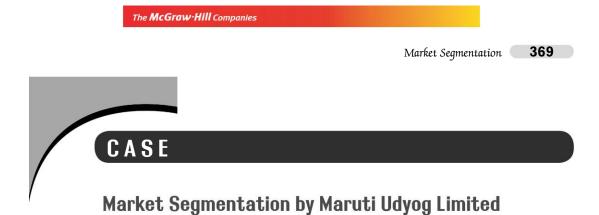
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Answers to Objective Type Questions

3. (e) 1. (d) 2. (d) 4. (d) 5. (e) 6. (e) 7. (e)

8. (a) True, (b) True, (c) True, (d) True

9. (a) Market survey, (b) Market, (c) A buyers' market, (d) Measurable



Maruti Udyog Limited has made very large strides in the Indian automobile industry and has brought about a complete revolutionary change in the concept of car manufacturing and car selling in India. Indian roads today are witness to the fact that every second car that runs on the Indian road has come from the manufacturing plants of Maruti Udyog Limited. Maruti started its operations in the Indian market in 1983 as a joint venture with Suzuki of Japan and has today become the largest automobile manufacturing company in India.



MISSION OF MARUTI UDYOG LIMITED

Maruti Udyog Limited wants to provide a wide range of modern high quality fuel efficient vehicles in order to meet the need of different customers, both in domestic and exports market.

VISION OF MARUTI UDYOG LIMITED

We must be an internationally competitive company in terms of our products and services. We must retain our leadership in India and should aspire to be among the global players.

HISTORY OF MARUTI UDYOG LIMITED

Maruti Udyog Limited had been set up in India in 1981 as a joint venture with Suzuki of Japan, in the public sector. The plant had been set up with the revolutionary thought of giving small people's affordable car to the people of India. Indian car market otherwise had been operating till such time under the blanket of protected seller's market with two indigenous players, who had been major market shareholders for a long time, i.e., Premier Automobiles Limited, and Hindustan Motors. The third company Standard Motors Limited had virtually negligible market share in its kitty.

MUL launched its first Maruti car branded as Maruti 800 on December 14, 1983. The virtual people's car of 796 cc capacity and the first of its kind hatchback car priced at ₹ 47,500. Maruti, by introducing this car in many lively and bright colours, brought about the concept of precision, a quality for the Indian car consumers who otherwise had been fed Ambassadors and Fiat cars in dull and drab colours. Standard M800, as the car had been branded, gave Indians the first taste of global quality and reliability and a new concept of fuel efficiency in car running expense. Being much lighter in weight and of the ABS body, the car could give much better fuel consumption and better pick up and speed to the middle class Indian consumers who were otherwise being provided with the heavy metal, heavy duty cars (fuel guzzlers) by the manufacturers.

But Standard 800 was just the beginning for the Maruti Udyog Limited. It virtually took the Indian automobile market by storm by, wiping out and annihilating complete competition. Maruti simultaneously brought to the Indian market its station wagon type model eight-seater Omni, the rough and tough any terrain Gypsy. The first ten years of Maruti Udyog Limited's operations witnessed the complete wash out of Willy's jeep, H.M's Ambassador, Premier Automobiles' Premier Padminis. Maruti 1000 had been introduced in 1990, thus completing the segment of the then luxury car buyers. MUL's Zen had been launched in 1993 in the premium compact segment. Maruti Zen had become a flagship,' world class car,' for the company by getting acceptance and picking up sales volumes across international markets. Zen won several global awards in the cars across the world, e.g., 'No. 1 car in Europe' (Auto Week, 1994), 'No.1 import in Europe' (1997) and 'most fuel-efficient car' (ADAC). 1300 cc Esteem had been brought in to replace Maruti 1000, with higher engine power and a plush interior and exterior, giving the car a complete look of the luxury car for the upper middle segment. MUL launched Baleno and WagonR. In 1999 Baleno had been brought in for the premium segment while WagonR was positioned as a multi-utility vehicle. By now, Maruti Udyog Limited had been in control and leadership position in the automobile sector in India. However, the company was aware of the global competition closing in just after the opening up of the economy. Hence the strategy of gaining higher volumes and being present in every segment prompted Maruti Udyog Limited to work upon the policy of bringing in new model of cars every six to twelve months. Maruti Suzuki Alto – a premium small car for economy and the export market was introduced in 2000. Maruti launched Versa, a multipurpose vehicle, in October 2001.

Maruti's policy of introducing new models every six months have given new Zen, new WagonR, Grand Vitara, Versa and Baleno models to Indian consumers. Maruti's marketing strategy is based on meeting the customers' needs, and simultaneously keeping ahead of the global competition from companies like General Motors, Hyundai, Mahindra's and now Mercedes, BMW and Voxwagon.

A striking new look featuring a more daring approach to design began with the launch of the Zen Predator and this strategy has been gradually rolled out to encompass many other leading models in the Maruti Suzuki family. The Grand Vitara XL-7, in addition to being very beautifully designed and decorated, carries a 2.7 liter V6 engine with 166 bhp. The strong engine power makes this car the

most powerful SUV in the Indian market. In 2004, Maruti had launched Baleno Lxi, as its market research revealed space and demand for a large safe car that could deliver on performance and price both. Maruti launched Swift Suzuki Motor Corporation's World class Model, and ushered in an altogether new design to the Indian market, the car with introduced to the Indian market in May 2005 exhibits an aggressive look and most beautiful style statement. The aggressive international designs are the hallmark of Grand Vitara, SX4, Ritz and A-star – that had been subsequently launched by Maruti.

Milestones of Maruti

- ▲ Setting up of a joint venture with Suzuki of Japan in 1981
- ▲ Operations begin in the Indian market in 1983
- ▲ First Maruti car launched, branded as Maruti 800 on December 14, 1983
- ▲ Launched station wagon type model eight-seater Omni
- ▲ Launch of the rough and tough any terrain Gypsy
- ▲ Maruti 1000 introduced in 1990
- ▲ MUL's Zen had been launched in 1993
- ▲ Zen won 'No. 1 car in Europe' (Auto Week, 1994)
- ▲ 'No. 1 import in Europe' (1997)
- ▲ 1300cc Esteem replaced Maruti 1000
- ▲ Baleno introduced in 1999
- ▲ Wagonr positioned as a multi-utility vehicle
- ▲ Maruti Suzuki Alto a premium small car launched in 2000
- ▲ Maruti launched Versa, multipurpose vehicle in October 2001
- ▲ In 2004, Maruti had launched Baleno Lxi
- ▲ Maruti launched Swift Suzuki Motor Corporation's World class Model, in May 2005
- ▲ Grand Vitara, SX4, Ritz and A-star –launched by Maruti.

MARKET SEGMENTS

The first stage in building an effective mix is to understand the market and its segmentation by the use of products and by way of customer requirements. Maruti used market research to find out the target key market segments which identified groups of people with the same characteristics attitude, their lifestyle and eventually the choice of cars for different usages and perceptions. But Maruti had no reference to depend upon and not even any kind of benchmarking from any competition on the basis of which the company could segmentize the Indian consumer demographics and subsequently their choice of cars. Hindustan Motor's Ambassador and Premier Padminis by Premier Automobiles Limited had been operating in the Indian market without specifically and distinctly segmenting the market. They had very narrow segmentation of working either in the commercial vehicle segment of taxi and government cars or in the personal cars segment. Maruti, therefore, had to create its own forte of small sized cars in the country and then upgrade the customers to other higher segments of car experience.

Brand Maruti Suzuki had been brought to India as 'the people's car', in 1983. The brands of cars given by Maruti to Indian car customers have remained consistent ever since, the introduction of

Exhibit 13.1

SEGMENTING THE RANGE OF MARUTI CARS

CARS offered by Maruti to cater to different segments of customers		
Economy segment		
Maruti 800	Omni	Maruti Alto
▲ Maruti 800 STD BS III	▲ 5 seater Maruti Omni	▲ Alto
▲ Maruti 800 AC BS III	▲ 8 seater Maruti Omni	▲ Alto Lx
▲ Maruti 800 Duo	▲ LPG Maruti Omni	▲ Alto Lxi
Mid segment		
Maruti Zen Estilo	Wagon R	Versa
▲ Maruti Zen Estilo Lx	▲ WagonR Lx	5 seater
▲ Maruti Zen Estilo Lxi	▲ WagonR Lxi	8 seater (DX & DX2)
▲ Maruti Zen Estilo Vxi	▲ WagonR Vxi	
	▲ WagonR Ax	
	▲ WagonR Duo	
Mid segment	Luxury segment	Mid segment
Maruti Esteem	Boleno	Swift
▲ Maruti Esteem Lx	▲ Baleno Sedan Vxi	▲ Swift Lxi
▲ Maruti Esteem Lxi	▲ Baleno Sedan Lxi	▲ Swift Vxi
▲ Maruti Esteem Vxi		▲ Swift Zxi
		▲ Swift Diesel'Ldi'
		▲ Swift Diesel 'Vdi'
Jeep segment	Luxury segment	Mid segment
Maruti Gypsy	Maruti SX4	Maruti Zen Classic
▲ Hard top	▲ Maruti SX4 Vxi	
▲ Soft top	▲ Maruti SX4 Zxi	
	Swift DZire, Grand Vitara	
Commercial Vehicles		
Ambulance		
Omni Ambulance		

Maruti offers 14 brands of cars with over 150 variants to cater to different segments of customers

the first standard 800. Over the years, Maruti has set the stage for the successful launch of Suzuki's international range in many segments of the Indian market. Each product launched by Maruti in different segments carries the inherent Maruti stamp of high quality value offer, fuel efficiency and competitively low price and low running and maintenance cost. No wonder, all Indian customers consider their Maruti cars prized possessions.

Maruti has made its presence felt in all segments of the Indian market, be it the economy, the mid segment, the luxury, the jeep segment, the commercial segment and even the ambulance segment, as can be witnessed form Exhibit 13.1.

Source: http://www.marutisuzuki.com/corporate.aspx, accessed on 23 August 2011.

DISCUSSION QUESTIONS

- 1. Describe what is meant by product segmentation. Trace out the segments in which two of the major competitors of Maruti Udyog Limited operate.
- 2. Analyse the impact of Maruti Udyog Limited on the Indian automobile industry.
- 3. Explain the rule of consumer research in market segmentation.

ACTIVITY

Visit the local office/distributor of any automobile company other than Maruti in your area to find out what systems and strategy of segmentation are adopted by the company to reach the products and information about the products to the end consumers.

Consumerism and Consumer Movements: A Historical Perspective

14

LEARNING OBJECTIVES

After reading this chapter, you should be able to

- Understand the meaning and definition of consumerism
- Mow the Historical perspective of consumer movements in the US and India
- Become familiar with the legal perspectives of consumer rights and benefits
- Learn about the ethical and social perspectives of consumerism

DEFINITION OF CONSUMER CULTURE

Consumer culture refers to the relationship that exists between people and material goods and services. Consumer culture, this way, becomes the economic and social arrangement whereby buying and selling of goods and services has become the principal relationship and activity of everyday life. Consumer culture happens to be an important synthesis of economic-social relationships, social organizations, and social meanings of the very existence of the members of the society. Consumer culture across the world is undergoing a dynamic change with the adoption of the policy of globalization by major economies of the world. Resultantly, we witness consumer behaviour and consumer culture becoming more global and universal in nature and application rather than being restricted to confines and expectations of the societies from which the consumers come. Consumer

culture as such in the current scenario of economic materialism has risen above the definitions that have so far been accorded and forwarded by the market forces of the pre-globalized economies. Consumer culture has been studied from the perspective of a variety of disciplines, including communication, cultural studies, theology, sociology, psychology, marketing, anthropology, and philosophy in order to understand the relationship that prevailed between the society and the material goods. Consumer culture has often been taken in its wider perspective that will include both consumerism and materialism by the thinkers from all ages and all kinds of humanities and sciences.

DEFINITION OF CONSUMERISM

Consumerism has been defined by Yiannis Gabriel and Tim Lang in these words: "Consumerism has at least five distinct connotations. It is a moral doctrine, a means for demarcating social status, a vehicle for economic development, a public policy, and a social movement."¹ They have defined consumerism as the assortment of behaviours, attitudes, and values that are associated with the consumption of material goods.

Materialism, consumer culture's other perspective, has been identified and defined by Russell Belk² as "the importance a consumer attaches to worldly possessions. At the highest levels of materialism, possessions assume a central place in a person's life and are believed to provide the greatest sources of satisfaction and dissatisfaction." Materialism, according to this definition, does not become a synonym of consumerism, as it (materialism) is often used to represent only the social value of material goods.

Philip Kotler has defined consumerism as "an organized movement of citizens, and the governments to enhance the rights and powers of buyers in relation to sellers."³

AGENCIES THAT INFLUENCE CONSUMERISM AND CONSUMER MOVEMENTS

Consumerism across the world has been evolved as a public force to provide ethically, morally and socially acceptable way of running a business for the mutual benefit of both the business world and the society at large. Consumerism operates on the level of social community benefits when governments and administrations formulate laws and systems to regulate the running of the business and marketing to ensure compliance of the law of the land. At the other level, governance in marketing practices and policies of the business are instituted to meet public interest and save the common consumer from exploitation and manipulation. In addition to the framing of rules and regulations for the smooth running of the business in public interest by marketing agencies, the following agencies play larger roles in the rise of consumerism in any society nation across the world.

- 1. Governments and the administrations
- 2. Marketers and advertisers
- 3. Public policy makers
- 4. Social reformers and social critics
- 5. Consumer agencies

Governments and Administrations

Governments and public administrators are the watch dogs of the consumer's interests. They resort to many kinds of reformatory, legal and constitutional measures to make sure that marketing and other related activities undertaken by the marketing agencies do not run contrary to public welfare. This is done to ensure that the marketing activities undertaken by the organizations in the country meet the expected and desired standards of decency, morality and fair business practices. Governments devise and adopt different kinds of legislation and regulatory measures in the interest of the consumers. The protection to the consumer is offered through price regulatory laws, warranty laws, service laws and product performance laws. Governments undertake public awareness and public education campaigns for building up public opinion about the consumer's rights and privileges.

Marketers and Advertisers

The marketing firms that believe in the marketing concept of running their business do understand the importance of the consumer coming first to them. They always endeavour to work for the mutual gains of the firm and the consumers. The marketing firms have progressed from the sales concepts to that of marketing and, eventually, have come to the stage where it is the customer services that hold supreme. The pyramids of hierarchy have today been inverted and turned upside down to indicate that the reigns of marketing are today held by the consumers. It is the consumer who has become the boss. But not all firms believe in this concept and many times these firms may resort to activities and strategies contrary to mutual benefits and gains. It is under such situations that public policy makers have to step in and develop public policies and build up public awareness.

Public Policy Makers

Public policies are implemented by governments and other executive agencies, but the policy decisions are taken by the policy makers keeping in view the benefits and welfare of the society at large. Policy decision-makers keep an eye on the behaviour of the marketing agencies in the market. The necessary changes in existing policies, and new policies are brought in as and when any behaviour of these marketing agencies is found contrary to public interest. Policies such as the ceiling on the maximum recommended price, providing information about the contents in the food products and medicines on the labels of the packaging, displaying of warnings and usage instructions on the hazardous products have all been brought by policy makers in the interest of the consumer.

NGOs, Social Reformers and Social Critics

Non-governmental agencies, social workers and social welfare agencies working in the country have always been very protective of the consumer's interests. The main task of these agencies has been to create public awareness about the rights and privileges of the consumer in order to form a strong public opinion to persuade governments to enact laws favouring the consumer. These laws are enacted to prevent the exploitation of the consumer at the hands of marketing agencies. Consumer forums, *grahak panchayats* and consumer cooperatives have all come about due to the diligence and active follow-up of the NGOs, social reformers and social critics. In India, the list of the consumer protection agencies and consumer groups who have actively been protecting

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and fighting for the consumer rights for many years is endless and they have been responsible for bringing in many Acts and laws.

Consumers

No one can be a better guard of the rights and privileges of the consumer except the consumer himself. Consumers' movements begin only when the consumers themselves become aware of their rights and they begin to exert their rights. The results of all the consumer education can be ascertained by the demanding consumers exercising their influence on the policies and practices of the product manufacturers and the marketers. The consumers should reject all those shoddy and short-term manufacturers and marketers who are simply interested in making a dent the consumer's pocket. The consumers should unite by presenting a single united front. They should force the manufacturers and governments to strictly follow ethical practices of running a business. The consumer forum's vigilant and proactive approach will keep the government agencies and law makers aware of the rights and privileges of the consumers of all products and services. In India where the economy is fast emerging as a services economy predominantly, the formation of more such consumer forums is an urgent need today to give an impetus to consumerism.

FACTORS CONTRIBUTING TO CONSUMERISM AND CONSUMER MOVEMENTS

There have been many reasons historically for the rise of consumerism. However, recent innovations in telecommunications and introduction of Internet and World Wide Web have brought awareness about consumers' conditions and the developments thereof across the globe. The opening of the economies, globalization and electronic media have contributed to educating global consumers and have given rise to greater and more vigilant consumerism. We discuss below some of the reasons behind the rise of consumerism across the world.

Globalization

It has been observed that economic evolutionary activities occur over long periods of time allowing the economy to expand or contract to become more efficient by weeding out the inefficient producers, but economic revolutionary activities occur periodically to alter the nature of business transactions through new innovations in the factors and methods of production. The globalization of the economies in recent times has been acting virtually on both the fronts of economies. The economies have expanded or contracted to prepare themselves for the challenges that their survival faces on account of competitions building up from all sources. The business transactions and marketing communication have also been altered to meet the expectation of global consumers. Consumerism is no longer restricted to the age-old traditions and practices. The consumers across the world are being exposed to better and wider choice and quality, making them aware of their rights and responsibilities in the running of the national as well as global economies. People worldwide have become the foundations of active organizational performance. The global intellectual capital has been acting as the collective brainpower and has become instrumental in creating values for the consumers anywhere in world. The economies globally have expanded as well as shrunk at the same time. The political trade boundaries have shrunk and even been eliminated. At the same time, consumer demands and expectations have expanded, giving rise to new global consumerism.

New Organizational Technologies

Technological developments and technological innovations have made our times the era of knowledge, where knowledge is available to consumers on the flick of their fingers. The innovation of computers, mobile technology, the Internet and social networks have spread consumerism like a wild fire in all economies of the world. The advertisers and marketers can no longer take consumers for granted and for a ride. The news about a product being good or bad, an advertisement being true or false, or a commitment being kept or ignored by the marketers can be made available on the twitter, on the Google, on Orkut or Facebook in real time. The social networking and the rise of netizen (network citizens) has led to the beginning of consumerism of a different kind on the Internet.

Unprecedented Market Competition

The spread of globalization has given momentum to competition for all domestic manufacturers. The business of the marketing agencies gets affected not by the regional policies alone now, but anything happening even in the smaller, remote corners of the world can exercise its influence on the world economies. A couple of banking institutions failing in United States can hold all economies of the world to ransom. An earthquake in Japan or some floods in Thailand can result in production losses in the Indian continent. Similarly, the competition for the manufacturers and marketers has been rising from across the emerging and developed countries of the world. The product life cycles are getting shortened and the innovations no longer remain new and novel due to the product and technology obsolescence catching up fast. This leads to a transient consumerism, where the demands and expectations of the consumers on the marketers change very fast. Unless the marketers and advertisers keep pace with the market dynamics, they lose their consumer base very rapidly.

Misleading and Deceptive Advertising

The advertising firms, marketers and manufacturers use advertising to communicate all kinds of information about their corporate, about their products and their marketing strategies to the consumers. This communication link established through the advertising creates bond of trust and faith between the marketers and the consumers. The advertisements and the information so provided by the marketers becomes a major decision-making tool for the consumers. Advertising helps them in selecting or rejecting the offerings of the marketers. Many times, in their overenthusiasm and anxiety to lure and attract the innocent consumers, the advertisers resort to misleading and deceptive advertising. Such unethical and substandard advertising can be harmful to the relationships between the consumer and the advertiser in the long run. In India, despite the provisions of very stringent laws and codes of conduct, the manufacturers and advertisers do indulge in false and misleading advertising. Though consumers' courts have been established in India by law to deal with such offenders, professional associations and membership bodies of the broadcasters and the advertisers do enlist their own code of conduct for their members. Societies such as Indian Newspapers Society, The Indian Broadcasters Association, and The Advertising Club of India have laid down their codes of conduct and the explicit behavioural expectations from the members to protect the consumer's rights and bring about ethical practices to their trade. Exhibit 14.1 displays the code of conduct expected by the Advertising Standards Council of India from its member agencies.

Exhibit 14.1

THE CODE FOR SELF-REGULATION IN ADVERTISING

The Advertising Standards Council of India

The Code for Self-regulation in Advertising

- ▲ To ensure the truthfulness and honesty of representations and claims made by advertisements and to safeguard against misleading advertisements.
- ▲ To ensure that advertisements are not offensive to generally accepted standards of public decency. Advertisements should contain nothing indecent, vulgar or repulsive which is likely, in the light of generally prevailing standards of decency and propriety, to cause grave or widespread offence.
- ▲ To safeguard against the indiscriminate use of advertising in situations or of the promotion of products which are regarded as hazardous or harmful to society or to individuals, particularly minors, to a degree or of a type which is unacceptable to society at large.
- ▲ To ensure that advertisements observe fairness in competition so that the consumer's need to be informed on choices in the marketplace and the canons of generally accepted competitive behaviour in business is both served.
- ▲ Both the general public and an advertiser's competitors have an equal right to expect the content of advertisements to be presented fairly, intelligibly and responsibly. The Code applies to advertisers, advertising agencies and media.

Source: http://www.ascionline.org, accessed on 5 December, 2011

In addition laws such as MRTP Act and The Consumer Protection Act 1986 have been enacted by the government to take care of the deceptive and dubious advertising and promises made by the marketers.

Unfair Trade Practices

Unfair trade practices can vary from industry to industry. Unfairness and manipulation can be found for the single marketers, and many times the industry as a whole indulges in activities that run contrary to the interest of the customers. The Indian consumer has witnessed such industrial cartels of the manufacturers in the pre-globalization period in all kinds of industry. Indian consumers have witnessed many kinds of price and manufacturing cartels in the steel industry, in the cement industry and even in the automobile and spares industries, where the seller's market prevailed. Prior to the opening of the Indian economy, the licensing policy of the government always favoured the marketers and manufacturers. The government had a firm belief in the quota system rather than in providing infrastructure for the industrial development of the country. The exploitation of the quality and the availability of the products. The exploitation can even relate to the warranties and after-sales service provided with the product. We give hereunder a list of manipulative activities that can amount to unfairness and malpractices indulged in by the manufacturers and marketers of goods and services from time to time.

Manipulation of Quality Control and Safety Measures

Quality is a rare thing that one can find in the seller's market. As we have mentioned before, prior to 1990, the Indian market was a very shortage-driven market. The consumer in a shortage-driven markets had to actually get into the waiting list and waiting period for the delivery of his goods and before he actually could meet his requirements. The consumers would rather be more than happy if they were able to get delivery of whatever they wanted. Long periods of waiting, permits for the quotas, and rationing of the daily need products hardly gave any impetus to the marketers to pay attention to the maintenance of quality. But things started to change and the marketers' attitude towards consumers improved post-1991, when opening of the economy resulted in the de-licensing and decontrol of many kinds of industry. The government policy of opening many sectors to the private sector and the introduction of liberal industrial policy created a fresh competition for the existing manufacturers. The globalization of the economy and the spread of the worldwide Internet further resulted in the competition for the local industry, and business being raised to the international level.

Manipulation of Weights and Measures and Short Changing the Customers

Even though there exist government approved standardized weights and measures, legal provisions and administrative policy, marketers with short-term policies and short-term objectives try to exploit their consumers by indulging in malpractices. They short change their customers in many ways. The labelling of weights can be improper. The container of the products can be weighed along with the contents and sold to the consumers at a higher price. Besides there have been manipulations on account of varying taxation policy operating in different states, which has since been rectified by the government by introducing universal value added tax (VAT) policy all over the country.

Manipulation by Way of Adulteration and Other Corrupt Practices

Adulteration and passing of the spurious products as genuine products by the unscrupulous business is a very widespread malady all across the country. We often find news in the media about adulteration in food products and other health products. Even expired medicines, spurious medicines, nongenuine consumer products and fake brands are sold by profiteers and black marketers. The laws to prevent such malpractices do exist, but the will to strongly regulate and implement these laws lacks in all sectors.

Manipulations by Way of Hoardings and Black Marketing

India is a huge market. It is said to be the largest market of the rising middle income group ambitious consumers. In spite of substantial industry development in the country and agriculture revolutions, the country suffers from wider gaps in demand and supply position in many products and commodities. This results in exorbitant prices being charged for even daily need products by traders and suppliers. The country has occasionally witnessed food grain deficits, lentil shortages, cooking oil shortages, cement, steel and other construction material shortages, on account of hoardings of stocks by the greedy and profiteering traders. Industrial cartels, as we have mentioned before take advantage of such situations and unnecessarily and arbitrarily raise the prices of the products in the marketplace. Such malpractices cannot be curbed by legislation alone. The country needs a new awakening among the consumers and a new consumerism which makes the consumers aware of and educated about their rights and privileges, in addition to the legal provisions available to them to fight against these malpractices.

HISTORICAL PERSPECTIVE OF CONSUMER MOVEMENT IN US

The beginning of consumer movement can be found in the United States in the early 1920s, when the production of goods actually had exceeded the consumer demand for all kinds of products. "Production between 1860 and 1920 increased by 12 to 14 times in the US while the population only increased three times".⁴ The shortsighted approach of profitability would mean that the manufacturers and the government in power could have taken steps and helped in stabilizing the economy. The ideal strategy for taking control of such a situation obviously would have been to order a production cut across the board for all those items where the supply had been more than the demand. That would have entailed bringing down the working hours and reducing the shifts in the industry. But that perhaps is a very narrow and short-term strategy of tiding over a problem as it would have curtailed the organic growth of the society and the country.

The opposing view, mainly held by business people and economists, was over-production could and should be solved by increasing consumption so that the economic growth of the country could continue. Manufacturers needed to continually expand production so as to increase their profits. Increasing production and consumption guaranteed the ongoing centrality of work.⁵

Rise of New Kind of Consumerism

The mismatching of the production of goods vis a vis the increase in demand actually gave birth to a new kind of consumerism. It paved the way for the modern culture of understanding the consumer, rather than taking the consumer for a ride as it had been done immediately after the industrial revolution in the mid-18th century. The surplus production had actually led to the asking of the question about consumers' rights, which hitherto were unknown in a seller's market.

However, that is only the revolutionary purists' look. The sociologists look at it differently. They are of the opinion that this decision of the industry to produce unlimited quantities of goods nurtured a consumerism of lavishness, obsolescence, and inefficiency. But therein lies the foundation of innovation, as obsolescence brought in a race for survival too. This ultimately created a kind of society where people had to become and act as both workers and consumers. The new society of surplus production had been converted into a culture of work and spends, wherein people wanted to enjoy their life after a day's hard work.

Rise of Marketing and Advertising

The growth in production in the late nineteenth and early twentieth centuries required consuming markets with the inbuilt expansion of consumption. This meant that the marketers had to focus on the activities that could result in expanding the consuming class. Advertisers and marketers had to now think of the markets beyond the middle and upper classes and hence they devised the strategies to include the working classes. It became imperative and obvious that production increase and the surplus created could only be absorbed by intensifying consumption. It became necessary to

create markets for the large produce of rising production wherein supply of goods had outstripped demand. The problems of scarcity were replaced by problems of plenty and the thoughts and plans of how to create more demand. The marketers, through aggressive advertising, sought to interpret people's needs differently. Advertising and innovative marketing created new kinds of wants. The marketers themselves offered solutions to the working consumers by offering them goods produced rather than allowing them to identify and solve their own problems.⁶

Consumption was promoted through advertising by labelling it as a "social equality of goods". With the help of advertising, marketers and advertisers exploited the idea of converting the consumers' perception about the consumer goods as status symbols, which could equate their status with the elite and the rich upper and middle classes. Advertisements and the promises made therein had raised the ordinary working classes into materialistic consumers who were being influenced "to spend more rather than work less." Consumerism promises the ordinary people access to a good life. Surrounded by the bounty production of products such as television, stereo, car, computer and other white goods, the working class felt that they had improved their standards of living, as the reward brought a life of ease and plenty. Advertisements often exhort the ordinary by telling them that they have arrived. They constantly tell them these are the fruits of achievement. That this is what life is all about.

Legitimizing Consumerism

In the USA, consumption rates were increasing in the mid-1920s and the "new economic gospel of consumption" gained many followers and adherents. The marketers followed the advertising belief that more and more new and intense wants can be created by creating new and different perceptions. The people, the marketers believed, could be moved away from the habits of being satisfied with lesser to the habits of looking for more and thus get them into the habit of spending. The companies in the 1920s stared reaching advertisements to the working classes to persuade them to spend and adopt new concepts of lifestyle achieved through materialism. The companies, by using consumer advertising, worked towards the refinement of anti-corporate feelings generated by the conditions of the working class in the factories which were producing goods.

Advertising and consumerism thus played a major role in the acceptance of the capitalist vision of the society, the fact that the production of goods is for the benefit and development of mankind. The advertising worked on the themes such as "The most humble of citizens (although not the poor who were not the targets of these advertisements) could purchase the same quality of products as a millionaire and hence can afford an equal, if not better, standard of living. The advertising of the times conveyed the message that the best things for a comfortable standard of living in life are being made available to all consumers at affordable prices.

The American campaigns, advocating the social democracy acquired through acquisition of goods, persuaded all Americans to look for comparison within different social status of the society in their consumption styles. The advertisers offered workers the possibility of gaining a higher recognizable social status through their buying and consuming of the goods and products considered to be better than their neighbours. The advertisers sold the idea to the American working community that with the help of equated monthly installment plans and easy availability of credit, the common Americans could purchase the symbols of success even if they were not achieving success in their workplace.

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The manufacturers, thus, exploited the new Americans' yearning and hunt for a better status in life. American car manufacturers' marketing strategies of the times are indicators as to they worked and exploited the American's desire for higher social status expressed through acquisition of large and big size cars. The American car industry exploited the people living in the middle and lower middle class colonies, developed through housing developments, where all the houses looked similar. To convey a message to their neighbours that they have arrived socially, most Americans liked to leave their large new cars parked on the street in front of the house rather than in the garage where no one would notice them. Print and other media campaigns for the large sized family cars like Plymouth pictured a family in front of their car, saying "We're not wealthy... we just look it!"

But it is not that the American consumers were accepting whatever was dished out to them by the manufacturers and the marketers of the consumption movement. Another movement of disciplining the business and the society to get rid of the economic and social evils and to protect the interest of American consumers had also been working in the American society simultaneously.

American business was subjected to social and statutory disciplining on many occasions, by the organized consumer movements.

In the 1900s, the rising prices and the spiraling inflation, the unethical drug scandals and the condition of the meat industry, as exposed by Upton Sinclair, gave rise to first organized consumer movement in the United States.

The consumer uprising was again seen in the United States in the mid-1930, when the prices started shooting up again in the midst of the great depression. Consumer education and the widespread write-ups opposing the unethical practices of big business by consumer movement exponents like the Galbraith J K and Rachael Carlson created an atmosphere of mistrust and antipathy for the big business.

Consumers' voice eventually became more vocal and rightful when the United States President John F Kennedy in 1962 had reiterated that American consumers have the rights to safety, right to be informed, right to chose and the right to be heard.

The credit of taking up the American consumerism to the modern position goes to Ralph Nader. His book, "Unsafe at any Speed", published in 1965, paved the way for many kinds of new legislation in the United States. It brought about the belief among the circles and quarters concerned that the consumers in the United States were being taken for a ride. It created a strong conviction that the government and the administration needed to protect the consumer rights by legislating consumer rights protection Acts and by establishing many kinds of regulating authorities.

Important Consumer Rights

The government framed policies to protect the following consumer rights:

- ▲ Right to get protection against exploitation by unfair trade practices
- Right to be protected against prohibited and misleading marketing malpractices
- Right to be protected against spurious and substandard products
- Right to voice opinions and influence marketing practices and products, to enhance the quality of life of the consumers
- Right to information on the product ingredients, product quality, product freshness, operational safety and requirements, inherent side effects and precautions
- Rights to grievance redressal and the remedy thereof

- ▲ Right of choice from the assortments of products/ services
- Right to a clean and healthy physical environment

HISTORICAL PERSPECTIVE OF CONSUMER MOVEMENT IN INDIA

A recent research and the economic survey conducted by McKinsey on India forecasts that by the year 2025, India's wealthiest citizens will total 24 million, more than the current population of Australia and more than 400 million city dwellers living in India. The survey indicates that a group nearly 100 million people larger than the current population of the United States will belong to households with a comfortable standard of living. The McKinsey report speaks very positively and encouragingly about the rise in the standard of living of the Indian population and substantial increase in the purchasing power of the Indian middle class in the next two decades. The report says that the following significant developments will take place in the Indian consumer market:

Rise of the Indian Middle Class

The income of the Indians will triple over the next two decades. The Indian middle class will grow from about 5 percent of the population to more than 40 percent, accounting for the world's fifth largest consumer market. By 2025, cities will contribute 62 percent of the country's spending power. Fifty seven percent of private spending is spread across rural areas currently.

India Shining

Extreme rural poverty in India has declined from 94 percent in 1985 to 61 percent in 2005. In 1985, 93 percent of the population lived on a household income of less than 90,000 rupees a year, by 2005 that proportion had been cut nearly to half, to 54 percent. If India can achieve 7.3 percent annual growth over the next 20 years, 465 million more people will be spared a life of extreme deprivation.

Discretionary Consumer Spending in India

Discretionary consumer spending in India will rise from 52 percent of total private spending currently to 70 percent by 2025. India's wealthiest citizens will total 24 million, more than the current population of Australia. By that year too, India's affluent class will be larger than China's comparable segment, projected at about 19 million people.

Discretionary spending by Indian consumers on purchases that improve economic prospects and quality of life of a person or family—health, education, transport, and communications—will rise and eventually command a greater share of consumption than they do elsewhere. Transportation will take a bigger portion of household budgets in coming years, exceeding its share in all of our benchmark countries. The highest growth will come in car purchases. Categories such as clothing and household goods are expected to exhibit slower annual growth relative to overall consumption.

What does this Mean for Marketers

India will witness rapid growth of its middle class—households with disposable incomes from 200,000 to 1,000,000 rupees a year. That class now comprises about 50 million people, roughly

5 percent of the population. The shift in spending power from the countryside to the cities will place the bulk of India's private consumption within easier reach of major companies.⁷

However, the Indian consumer has not been a very privileged lot for many years. The economy has been under stress and strains in many years of its development and growth. The consumers in India have been subjected to an economy of control and apathy by the government for many years after the independence as they witnessed shortages, trading and industry cartels and politicalbusiness nexus prevailing in the country till the 1980s. The era of shortages and the need to obtain permits for buying the products meant for daily needs hardly called for any kind of marketing efforts on the parts of the Indian manufacturers and the traders. The Indian economy had been a much closed kind of economy, where the attitude of protection prevailed towards the industry and the business community. It was only in the early eighties and nineties that consumerism came to the fare in the Indian consumer market. Consumerism is now picking up its pace in India, albeit at a very slow speed. The marketers still end up feeding the not so aware Indian consumer with half truths and misleading facts.

The growth of education, means of telecommunication, World Wide Web, the Internet and the opening of the economies have resulted in the spread of information and knowledge to the consumer on a very large scale, but it is still a tip of the iceberg only. A major part of the Indian population living in smaller towns and villages still has to cope up with and are saddled with shoddy products, inferior quality, and many other kinds of unfair trade practices by the marketing companies. Indian consumer spending has been on the rise due to positive factors such as massive local industrialization, correction in the balance of payment position on account of growth in exports, spread of education and penetration of knowledge and information into many sections of the society. But this is only an unbalanced growth and development as even today a large section of the Indian consumers is being exploited by the cunning marketers. The short-term marketers, profit makers and exploiters from among the business community are aided in their anti-consumer activities by the following factors.

Diversified Consumer Market

The Indian consumer market is a huge market, with the market spread into many kinds of classes and segments. The rural urban divide, the rich and the poor, the haves and the have not's, the literate and the illiterate, add to the richness or the backwardness of the market. This creates a situation where each segment operates in isolation to the other and in the ignorance of whatever is happening in other sections of the society. This results in the market being completely disorganized and disoriented towards the rights and privileges of Indian consumers. It is but natural that under such a situation, the exploiter marketers take advantage. The situation is, to a large extent, similar to the production era of the United States consumerism movement.

Higher Rate of Illiteracy

The higher rate of illiteracy in many sections of the society results in the population and the general customer not being aware of and vigilant about his rights as a consumer.

Lack of Information

The rural urban divide becomes more noticeable when we look at the ignorance and apathy still prevailing towards the implementation of the consumer's rights and privileges in many areas of the country. The large chunk of population does not have access to the means of information despite the fact that mobile telephones, Internet and television have made large inroads into the Indian households.

Laidback Attitude of the Consumers

The Indian consumer still believes that the corrective actions, if needed for the protection of the consumer rights, should be the responsibility of the governmental agencies. He appears very disinteresting. He has the stoic attitude of accepting whatever is available and is informed to him without verifying the authenticity and truthfulness of the information.

Lack of Organized Consumer Movement

The non-governmental agencies dealing in consumer rights, consumer forums and other consumer bodies in India are not very organized. The Indian government has taken many steps to keep the consumers aware of the legal remedies and resources provided by the government agencies. Many non-governmental agencies are also very actively taking up cudgels against exploitation of consumers by marketers and advertisers. They are advocating the protection of the Indian consumers' rights and privileges. The legal system of obtaining a relief and compensation in consumer forums and consumer courts is so cumbersome and lengthy that people prefer suffering in silence, rather than taking recourse to the law for remedial actions against their exploitation.

Consumerism is fast emerging as an environmental force affecting major business decisions as consumers become more aware about their rights. Even though comprehensive statutory measures have been provided in India for curbing unfair business practices, for protecting consumers' interest, and for promoting consumerism, companies have yet to do a lot in regard to raising of their ethical standards and meeting the social responsibility as conscientious corporate citizens of this country. Philip Kotler has rightly pointed out, "The original marketing concept has to be broadened along with the inclusion of a long run consumer welfare concept, the business must also consider including social and ecological considerations."

CURRENT SCENARIO OF INDIAN CONSUMERISM

Consumerism in India today has at best started to crawl towards making the Indian consumers aware of their rights and privileges which they can enjoy and for which they should be always vigilant. But a few advertisements and awareness campaigns at the national network do not help much in a vast country where the majority of the consumers are being fed with misleading advertising, and unchecked and untested claims by the marketers and advertisers. We need to highlight the current scenario of the development talking place in the Indian economy before we actually look at the plight of the Indian consumer in the light of the rise of consumerism India.

India among the Top-15 Countries in Terms of GDP at Constant Prices

India's GDP has been witnessing a very substantial high growth. The Indian economy is the second fastest growing GDP after China and is the 4th largest in terms of purchasing power parity. There has been a double digit growth in key sectors of the economy, viz. Industry: 10.9%, Services: 11% and India had the fastest GDP growth of 9.4 percent in 2006–07. Over the last 15 years, India's growth has been much faster than many economists had actually forecasted.

Indian Consumers Witness a Paradigm Shift in Almost all Aspects of Life

The Indian consumers have raised their yardstick of expectations from the industry and the trade due to globalized competition and evolutionary changes within the economy. The exposure of the Indian consumers to the global standards of quality, services and ethical practices has raised their bar of what they should expect from the Indian marketers. The Indian consumers expect and want the marketers to follow same global practices in India too, as followed by the multinational companies in other developed countries across the world. The consumers' attitude towards all kinds of products and services exhibits a paradigm shift in their consumption and buying patterns. The Indian market today witnesses shift from the dearth to the sufficient availability in products and goods that had faced many kinds of production and availability crunches, making the market shift from the seller's market for many products to a buyer's market. The expected utility from many kinds of products/ services of the middle class Indian consumers in the urbanized economy has transformed from the functional to lifestyle. The eating habits of the young urban professionals are getting globalized, shifting from the traditional Indian meals to Indianite pizzas of Pizza Huts, Baristas Coffees and McDonald's burgers. The Indian urban consumers today look for the advantage of the effort and the economy for the price + time + convenience spent by him on buying the products as against just the price advantage, as it had been done for years together in closed and protected economy. As it is, the spread of banking operations across the country, the plastic currency of the credit cards and the availability of low-interest finance schemes, price or the cost of the product is increasingly becoming a smaller factor in a purchase decision in a whole range of consumer durables today.

Consumers Upgrade Faster to Better Products as they Enter

The Indian economy that boasts of a major chunk of the lower and middle class segment is witnessing a situation where the gap between the entry-level economy products and the quality upgraded products is fast disappearing. The young and unconventional new generation of the Indian consumers is willing to pay more if they are convinced that the effort and the money spent by them is getting better value for the higher price they have paid towards the cost of the products. Upgrading to better and more expensive products is the in thing and it is taken as a way of life.

Accelerated Obsolescence of the Durables and Other Goods

The urbane consumers today in India are becoming savvier and they look for the value innovations in their purchases in almost all spheres of life. This has resulted in products being consigned to obsolescence faster than the innovations themselves. The life cycle of products is getting shorter and the products are being consigned to the oblivion faster than one expected. The average life of a

new model in cars and automobiles has been shortened to almost one to three years. A new mobile phone loses its value to the customer in 12 months as the companies innovate and introduce a new model/ product every other day. The durability of the product holds no value for the customers, but it is the service and the value additions that have become important.

Opulence and Exhibitionism—the Hallmarks of Indian Middle Class Consumers

Life styles are fast changing in the urbanized economy of the average middle class consumers. The double income/ multiple incomes of the family where every member works have made some segments of the Indian consumer richer. The average incomes of the families have seen substantial growth resulting in higher purchasing power and the propensity to spend. Indian consumers have begun to spend more on entertainment, luxury, automobiles, mobiles, phones, travel, food and restaurants. The opulence of Indian consumers is being witnessed in the purchase of multiple products for the household, especially among the working middle class. The middle class families do not believe in frugal and simple living. The buying of the multiple products can be seen in families where every member of the family goes out on a job. The buying of two cars has become a practical necessity for working couples and it is not considered luxury for any household to have multiple sets of other electronic goods such as refrigerator, television, and other electronic gadgets. This is in sharp contrast to the early nineties when the consumer's priority would range from the availability, to price, to the quality of the products. The scenario has changed today from the attractiveness of an exchange offer, to the financial loan and schemes available and the equated monthly installments. This has resulted in the households' sales explosive boom for the manufacturers and marketers. "The Indian economy is on the cusp of something big. After a recent trip there, I am as enthusiastic about India as I was about China in the late 1990s. What excites me most is the potential for an increasingly powerful internal consumption dynamic, an ingredient sorely missing in most other Asian development models."⁸ Exhibit 14.2 displays the change in the household needs and the buying patterns of an average middle class family between the early nineteen nineties and 2010.

India appears to be a poor country when its per capita GDP figure is compared to other developed countries, (per capita GDP figures of the United States read as US\$340 per capita). But the per capita figures of the country may not be the realistic picture of the purchasing potentiality and purchasing abilities of consumer households, as significant differences can exist in purchasing power parities of various currencies. In fact, the Indian rupee has a very high purchasing power parity compared to its international exchange value .The domestic purchasing power of a US dollar in the US for equivalent goods and services, as it would have bought in India, is closer to the purchasing power of 8.5 rupees in India. Based on the purchasing power parity, India ranks fourth richest nation in the world despite having low per capita national income.

GOVERNMENT'S ROLE AND RESPONSIBILITY TOWARDS CONSUMERISM

The government of India has been very vigilant and active in the protection of the consumers' rights and privileges in recent years. But we find that there have been many shortcomings at the implementation stage of the rules and regulations passed by the legislative bodies. The measures taken by the government can relate to either facilitating the consumer movement by providing support and encouragement or the government can regulate the private business by brining in laws

Exhibit 14.2

CHANGING PREFERENCES OF Indian Consumers—A Comparative Picture

The basic needs and purchase budgets of the average Indian middle class family in the early 1990s	The basic needs and purchase budgets of the average Indian middle class family in the mid-2000s	
1. Food and grocery	1. Food and grocery	
2. Clothing	2. Clothing	
3. Footwear	3. Footwear	
4. Consumer durable/Appliances	4. Mobile phones/mobile services	
5. Home linen	5. Consumer durables/Appliances	
6. Movies and theatre	6. Home linen and home accessories	
7. Eating out	7. Gifts	
	8. Take away/Precooked meals	
	9. Movies/Entertainment	
	10. Eating out/Entertainment parks	
	11. Household help	
	12. Travel packages	
	13. Club memberships	
	14. Computer, peripherals and Internet packages	

and regulations. The government of India has been very stringent in dealing with the legislation of the private business and has brought the following important legislations and Acts in the country from time to time:

- ▲ The Sale of Goods Act, 1935
- ▲ Agriculture Products Grading and Marketing Act, 1937
- ▲ The Industrial Development and Regulation Act, 1951
- ▲ Prevention of Food Adulteration Act, 1954
- ▲ Essential Commodities Act, 1955
- ▲ Trademarks and Merchandise Act, 1958
- ▲ Drug Controls Act, 1950
- ▲ Indian Standards Institute Certification Act, 1952
- ▲ Standard Weights and Measures Act, 1956
- ▲ Consumer Protection Act, 1986
- ▲ Packaged Commodities (Regulation) Order, 1975
- ▲ The Drug Control Act, 1950
- ▲ The Monopolies and Restrictive Trade Practices Act (MRTP) Act, 1969

We discuss hereunder two of the major Acts legislated in India for the protection of consumers against any monopolistic or exploitative activities of the business, marketing firms and advertisers.

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CONSUMER PROTECTION ACT, 1986

The Consumer Protection Act (CPA), 1986 was enacted for better protection of the interests of consumers. The provisions of the Act came into force with effect from 15 April 1987. The Consumer Protection Act imposes strict liability on a manufacturer, in case of supply of defective goods by him, and on a service provider, in case of deficiency in rendering of his services. The terms "defect" and "deficiency," as held in a catena of cases, are to be couched in the widest horizon of there being any kind of fault, imperfection or shortcoming. Furthermore, the standard, which is required to be maintained, in services or goods is not to be restricted to the statutory mandate but shall extend to that claimed by the trader, expressly or impliedly, in any manner whatsoever.

Features of the Act

The salient features of the Act are as follows:

- 1. It covers all the sectors whether private, public, and cooperative or any person. The provisions of the Act are compensatory as well as preventive and punitive in nature and the Act applies to all goods covered by the Sale of Goods Act and services, unless specifically exempted by the Central Government.
- 2. The Act enshrines the following rights of consumers:
 - (a) Right to be protected against the marketing of goods and services which are hazardous to life and property.
 - (b) Right to be informed about the quality, quantity, potency, purity, standard and price of goods or services so as to protect the consumers against unfair trade practices.
 - (c) Right to be assured, wherever possible, access to a variety of goods and services at competitive prices.
 - (d) Right to be heard and to be assured that consumers' interests will receive due consideration at the appropriate levels.
 - (e) Right to seek redressal against unfair trade practices or unscrupulous exploitation of consumers.
 - (f) Right to consumer education.
- 3. The Act also envisages establishment of Consumer Protection Councils at the central, state and district levels, whose main objectives are:
 - (a) To promote and protect the rights of consumers.
 - (b) To provide a simple, speedy and inexpensive redressal of consumer grievances.

The Act envisages three-tier quasi-judicial machinery at the national, state and district levels. These are:

- National Consumer Disputes Redressal Commission known as National Commission.
- State Consumer Disputes Redressal Commissions known as State Commissions.
- District Consumer Disputes Redressal Forum known as District Forum.
- 4. The provisions of this Act are in addition to and not in derogation of the provisions of any other law for the time being in force.

Definition of Defect and Consumer

Under the CPA, consumer forums at the district, state and national levels have been specifically constituted to adjudicate claims of consumers for any "defect" in goods. A "defect" has been defined in Section 2(1) (f) of the Act as "any fault, imperfection or shortcoming in the quality, quantity, potency, purity or standard which is required to be maintained by or under any law for the time being in force or under any contract, express or implied, or as is claimed by the trader (which includes the manufacturer) in any manner whatsoever in relation to any goods."

It is important to mention herein that by virtue of Section 2(1)(d), persons/entities who had purchased goods for 'commercial purpose' (other than those persons who have purchased goods for using them to earn their livelihood by means of self employment) are excluded from the scope of CPA; they cannot initiate proceedings under the CPA even if there is any 'defect' in the goods purchased by them for using the goods for commercial purposes.

Purview of a Complaint

According to the CPA, 'complaint' means any of the following allegations made in writing by a complainant:

- 1. Any unfair trade practice or a restrictive trade practice has been adopted by a trader.
- 2. The goods hired or bought suffer from one or more defects.
- 3. The goods hired or availed of are deficient in any respect.
- 4. A trader has charged price in excess of price fixed by law or displayed on the goods or any package containing goods.
- 5. Goods which will be hazardous to life and safety when used are being offered for sale to the public in contravention of the provisions of any law requiring traders to display information in regard to the contents, manner and effect or use of such goods.

Grant of Reliefs under CPA

On arriving at a finding of defect in the goods according to Section 14 of CPA, the jurisdictional Consumer Forum may direct one or more of the following:

- (i) To remove the defect
- (ii) To replace the goods with new goods of similar description free from any defect
- (iii) To return to the complainant the price
- (iv) To pay such amount as may be awarded as compensation to the consumer for the loss or injury suffered by the consumer due to the negligence of the opposite party
- (v) To discontinue the unfair trade practice or the restrictive trade practice or not to repeat them
- (vi) To cease and desist manufacture of hazardous goods
- (vii) To pay such sums as ordered if injury/loss is suffered by a large number of consumers not identifiable conveniently
- (viii) To issue corrective advertisement for neutralizing the effect of misleading advertisement
- (ix) Not to offer the hazardous goods for sale
- (x) To withdraw the hazardous goods from being offered for sale
- (xi) To provide for adequate costs to the complainant.

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Validity of Limitation of Liability Clauses

Contractual liability has a role to play in product liability claims under the CPA. Courts in India have upheld limitation of liability clauses, which parties have specifically agreed to in the contract as recognized by the Supreme Court in *Bharathi Knitting Company* v *DHL Worldwide Express Courier* (1996) 4 SCC 704. However, such clauses may be struck down if found to be unconscionable in nature. In *Maruti Udhyog* v. *Susheel Kumar Gabgotra*, [(2006) 4 SCC 644], the manufacturer of the vehicle had stipulated a warranty clause limiting its liability to merely repair the defects found if any. In view of this clause, the Supreme Court reversed the findings of the National Commission to replace the defective goods and held that the liability of the manufacturer was confined to repairing the defect.

Establishment of Consumer Forums

At present, there are 34 State Commissions, one in each State/UT and 571 district fora, besides the National Commission. The state governments are responsible to set up the district fora and the State Commissions. States have been empowered to establish additional District Forums and also appoint additional members in the State Commission to facilitate constituting benches and also for holding circuit benches. The Central Government is empowered to establish the National Commission. It has been empowered to appoint additional members to facilitate creation of more benches and holding of circuit benches.

Jurisdiction under Consumer Protection Act, 1986

- 1. The District Forum has the jurisdiction to entertain complaints where the value of the goods or services and the compensation, if any, claimed is less than INR 500000.
- 2. A State Commission has the jurisdiction to entertain complaints where the value of the goods or services and the compensation, if any, claimed exceeds 500,000 rupees but does not exceed 2 million rupees. It is also appellate forum for orders of the District forum.
- The National Commission has the jurisdiction to entertain complaints where the value of goods and services and the compensation exceeds two million rupees and also hears the appeals against the orders of the State Commission.

Period of Limitation

A complaint is only admitted by any of the competent forums under CPA if it is filed within two years from the date on which the cause of action had arisen. However, it may be entertained after the period, after recording its reasons for condoning such delay, if the complainant satisfies that he had a sufficient cause for not filing the complaint within the period of two years.

Procedure to File a Complaint

A complaint can be filed in a District Forum or as per pecuniary jurisdiction in another forum within local limits of whose jurisdiction the opposite party or any of the opposite parties resides or carries on business, or has a branch office or personally works for gain.

Class Actions

Under CPA, Section 2(1)(b) permits filing of a complaint by a consumer, any voluntary consumer association registered under the Companies Act, 1956 or under any other law, the State government or Central Government, one or more consumers where the number of consumers have same interest, in case of death of a consumer, his legal representative may make a complaint.

Penalty under Section 27 CPA

According to CPA, where a trader or the complainant fails to comply with an order made by the relevant consumer forum, such person is liable to a punishment with imprisonment for a term which is not less than one month but which may extend to three years or with fine of not less than two thousand rupees but which may extend to ten thousand rupees or with both.⁹

THE MONOPOLIES AND RESTRICTIVE TRADE PRACTICES ACT (MRTP) ACT, 1969

In order to safeguard the rights of consumers and ensure that no kind of monopolization or cartel work in the country against the rights of the consumers, the Government of India has implemented the MRTP bill. The Monopolies and Restrictive Trade Practices Act, 1969 empowers the MRTP commission with the power to stop all businesses that create barrier for the scope of competition of any kind in the Indian economy.

The MRTP Act, 1969 aims at preventing economic power concentration in order to avoid damage and exploitation of the consumers' interests. The Act also provides for prohibition of monopolistic, unfair and restrictive trade practices. The law controls the monopolies and protects consumers' rights and interests.

Monopolistic Trade Practice

The Act acts against the practices that indicate misuse of one's power to abuse the market in terms of production and sales of goods and services. Firms involved in monopolistic trade practices endeavour to eliminate competition from the market. They take advantage of their monopoly, of their being alone in the market and charge unreasonably high prices. They can bring down and deteriorate the product quality, limit the supplies in order to exploit the consumers, inhibit and restrict technical development, prevent others from competition and indulge in unfair trade practices detrimental to the fair and perfect competition in the market.

Unfair Trade Practice

The following activities and practices by the manufacture may result in an unfair trade practice:

- 1. False representation and misleading advertisement of goods and services.
- 2. Falsely representing second-hand goods as new.
- 3. Misleading representation regarding usefulness, need, quality, standard, style, etc. of goods and services.

- 4. False claims or representation regarding price of goods and services.
- 5. Giving false facts regarding sponsorship, affiliation, etc. of goods and services.
- 6. Giving false guarantee or warranty on goods and services without adequate tests.

Restrictive Trade Practice

The traders, in order to maximize their profits and to gain power in the market, often indulge in activities that tend to block the flow of capital into production. Such traders also bring in conditions of delivery to affect the flow of supplies leading to unjustified costs.

About the MRTP Act, 1969

The MRTP Act extends to the whole of India except the state of Jammu and Kashmir. This law was enacted:

- ▲ To ensure that the operation of the economic system does not result in the concentration of economic power in hands of few.
- ▲ To provide for the control of monopolies.
- ▲ To prohibit monopolistic and restrictive trade practices.

Unless the Central Government otherwise directs, this Act shall not apply to:

- 1. Any undertaking owned or controlled by the Government Company.
- 2. Any undertaking owned or controlled by the Government.
- 3. Any undertaking owned or controlled by a corporation (not being a company) established by or under any Central, Provincial or State Act.
- 4. Any trade union or other association of workmen or employees formed for their own reasonable protection as such workmen or employees.
- 5. Any undertaking engaged in an industry, the management of which has been taken over by any person or body of persons under powers by the Central Government.
- 6. Any undertaking owned by a co-operative society formed and registered under any Central, Provincial or state Act.
- 7. Any financial institution.

MRTP Commission and Filing of Complaint

For the purpose of MRTP Act, the Central Government has established a commission to be known as the Monopolies and Restrictive Trade Practices Commission. This commission shall consist of a Chairman and minimum 2 and maximum 8 other members, all to be appointed by the Central Government. Every member shall hold the office for a period specified by the Central Government. This period shall not exceed 5 years. However, the member will be eligible for re-appointment.

In case of any unfair trade practice, monopolistic trade practice and/or restrictive trade practice, a complaint can be filed against such practices to the MRTP commission.

The procedure for filing a complaint is as follows:

1. Complaint is filed either by the individual consumer or through a registered consumer organization.

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- 2. The Director General of the MRTP commission would carry on the investigation for finding facts of the case.
- 3. If the prima facie case is not made, the complaint is dismissed. If the compliant is true, an order is passed to its effect.
- 4. The commission restricts and restrains the party concerned from carrying on such practices by granting temporary injunction.
- 5. Then the final order is passed. The complainant may be compensated for his loss.¹⁰

ADVANTAGES OF CONSUMERISM

All kinds of consumer movements and activities have ultimately benefited both the consumer and the seller. The advertisers, the marketers and the sellers stand to gain in terms of a well informed and educated consumer universe. They also get a structured administrative policy of the government to service and serve the consumers with better products and strategies. The consumer movements in India have been so far very elementary in nature and mostly restricted to urbanized middle class segments. The rural and marginalized consumers are yet to be educated about their rights and privileges. Nevertheless, a beginning has been made and the government efforts to reach the message about the consumer movement, and the legislations to protect consumer rights to the common citizen by way of advertising are quite creditable. The advantages of consumerism can be felt in many ways as discussed below.

- 1. Better consumer education: Consumer empowerment does not come with legislation and law making alone. All statutory rights and provisions become meaningful only when the affected parties are aware of these legislations and they know how to make use of the same to their advantages. The better empowerment of the consumer can come by education and information. The rise of consumerism in all societies has been possible when the consumers have been educated about their rights and privileges. Consumerism is a way of reaching the correct information to the consumers, non-governmental organizations and other social organizations. A better consumer education ultimately leads to a better customer –business relationships and each one gets into a winning situation. The customer stands to gain in terms of better products and better services, superior quality, better know-how about the usage and the disposals. The customer comes to know who and how to approach in case of deficiencies.
- 2. Better relationships between government, producers and users: The coordination between the government agencies, the manufacturers and the consumers can be brought about by consumer movements. Consumerism would mean that each agency has to work towards the establishment of relationship and understanding for the advantages of the consumers and the marketers.
- 3. Value innovations, product research and market research: Value innovations occur when the producers can offer better products and services to the consumers on more economical terms. Value innovations have always resulted in obtaining more values to the producer and the consumers both, in the form of energy savings, resources optimization and improving the standards of living. The awakened consumers will always be a source of motivation for the producers to get into the product and the market research.

SUMMARY

- The term 'consumerism' has often been looked upon as a vehicle for getting a better economic deal for the consumers from the producers, marketers and advertisers of the goods and services. But consumerism goes beyond merely obtaining a financial deal for the consumers.
- Consumerism refers to a style of living, a chronicle of the ways in which the users and the producers trust each other, establish their relationships and contribute towards the establishment of a consumer culture.
- Consumer culture refers to the relationship that exists between people and material goods and services.
- Consumer culture has often been taken in its wider perspective that will include both consumerism and materialism by the thinkers from all ages and all kinds of humanities and sciences.
- Consumerism has been defined as the assortment of behaviours, attitudes, and values that are associated with the consumption of material goods. It has also been looked upon as an organized movement of citizens, and the governments to enhance the rights and powers of buyers in relation to sellers.
- Consumerism has evolved as a public force to provide ethically, morally and socially acceptable way of running a business for the mutual benefit of both the business world and the society at large.
- Consumerism operates on the level of social community benefit when the governments and the administrations institute the laws and systems to regulate the running of the business and marketing to ensure compliance of the law of the land.
- Agencies that play larger roles in the rise of consumerism in any society and nations across the world are governments, administrations, marketers, advertisers, public policy makers, social reformers, social critics and consumer agencies.
- The reasons for the rise of consumerism across the world can be attributed to the empowerment of the consumer on the one hand due to new innovative technologies and globalized knowledge spread and, on the other, many kinds of exploitative practices by the manufacturers for short-term benefits.
- The beginning of consumer movement can be found in the United States in the early 1920s, when the exponential growth in the production of goods led to many kinds of disparities in the society and resultant reformatory movements by the social thinkers, economists, and the government agencies framed policies to protect the consumer rights.
- Consumerism in India is picking up its pace at a very slow speed. The marketers still end up feeding the not-so-aware Indian consumer with half truths and misleading facts in spite of many kinds of legislative measures provided by the constitutional Acts such the MRTP Act, 1969, and the Consumer Protection Act, 1986.

OBJECTIVE TYPE QUESTIONS

- 1. Consumer culture happens to be an important synthesis of:
 - (a) Economic-social relationships
 - (b) Social organization
 - (c) Social meanings of the existence
 - (d) All of the above

- 2. Agencies that influence consumerism and consumer movements are
 - (a) Public policy makers, governments and administrations
 - (b) Social reformers and social critics
 - (c) Consumer agencies, marketers and advertisers
 - (d) All of the above
- 3. Factors contributing to consumerism and consumer movements are
 - (a) Globalization and new organizational technologies
 - (b) Unprecedented competition
 - (c) Unfair trade practices
 - (d) Consumer education
 - (e) All of these
- 4. The United States government framed policies to protect
 - (a) Right to get protection against the exploitation by unfair trade practices
 - (b) Right to be protected against prohibitive and misleading marketing malpractices
 - (c) Right to be protected against spurious and substandard products
 - (d) Right to voice opinions and influence marketing practices and products to enhance the quality of life.
 - (e) All of the above
- 5. Some of the other consumer rights legislated by the United States government are
 - (a) Right to information on the product ingredients, product quality, product freshness, operational safety and requirements, the inherent side effects and the precautions
 - (b) Rights to grievances, redressal and the remedy thereof
 - (c) Right of choice from the assortments of products/ services
 - (d) Right to a clean and healthy physical environment
 - (e) All the above
- 6. The advantages of consumerism are
 - (a) Better relationships between government, producers and users
 - (b) Better consumer education
 - (c) Value innovations, product research and market research
 - (d) All of the above
- 7. According to the Consumer Protection Act, 1986, which of the following allegations made in writing by a complainant means 'complaint'?
 - (a) Any unfair trade practice or a restrictive trade practice has been adopted by a trader
 - (b) The goods hired or bought suffer from one or more defects
 - (c) The goods hired or availed of are deficient in any respect
 - (d) A trader has charged price in excess of the price fixed by law or displayed on the goods or any package containing goods
 - (e) All of the above
- 8. State whether the following statements are true or false:
 - (a) Consumerism is fast emerging as an environmental force affecting major business decisions as consumers become more aware about their rights.
 - (b) Consumerism is fast emerging as an environmental force affecting major business decisions as consumers become more aware about their rights.
 - (c) The District Forum has the jurisdiction to entertain complaints where the value of the goods or services and the compensation, if any, claimed is less than INR 50,000.

- (d) The National Commission has the jurisdiction to entertain complaints where the value of goods and services and the compensation exceeds two million rupees.
- 9. Fill in the blanks:
 - (a) refers to the relationship that exists between people and material goods and service
 - (b) _____ has been defined as the assortment of behaviours, attitudes, and values that are associated with the consumption of material goods.
 - (c) and public administrators are the watch agencies of the consumers' interests.
 - (d) Consumer empowerment does not come with ______ alone.

REVIEW QUESTIONS

- 1. Define the term 'consumerism'. Discuss in detail the agencies that influence consumerism and consumer movements.
- 2. What are the major factors that have contributed to giving rise to consumerism across the world? Discuss.
- 3. Trace the historical perspective of consumer movement in the United States and the role played by the government in the protection of consumer rights.
- 4. Write a short note on the advantages of consumerism.
- 5. Write a short note on the current scenario of Indian consumerism.

ACTIVITIES

- 1. In order to understand the impact of consumerism and consumer movement in India, visit the local office of a consumer product marketing firm in your town. Discuss with the marketing staff as to how the recent legislations and globalization has been able to change their way of conducting a business. Discuss the same in your class.
- 2. Visit the local chapter of the district consumer forum to understand how the forum operates in case of a complaint by the consumer. Discuss the same in your class.
- Prepare a questionnaire and undertake a survey of the consumers visiting the local shopping area to understand how globalization has changed their buying habits. Discuss the results and findings in your class.

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Answers to Objective Type Questions 1. (d) 2. (d) 3. (e) 4. (e) 5. (e) 6. (d) 7. (e) 8. (a) True, (b) True, (c) True, (d) True 9. (a) Consumer culture, (b) Consumerism, (c) Governments, (d) Legislation and law making



Active Consumerism Taking Care of the Public Interest in Globalized India

Pepsi and Coke Battle Consumer Panic in India after Chemical Poison Residues Discovered In Soft Drinks.

An Indian environmental NGO group released a report alleging that the drinks contain high levels of pesticide residue. The two international cola giants have battled consumer panic, "smash-thebottle" street campaigns and angry lawmakers calling for a ban on the products. Both PepsiCo and Coca-Cola have issued countless rebuttals and published advertisements disputing the allegations. The report by the Center for Science and Environment, a private group based in New Delhi that has fought numerous environmental battles against the bottled water, automobile and paper industries, reported that the tests of 12 leading drinks produced and marketed in India by the two companies showed that "all samples contained residues of four extremely toxic pesticides and insecticides: lindane, DDT, Malathion and chlorpyrifos".

"In all samples, levels of pesticide residues far exceeded the maximum residue limit for pesticides in water used as 'food,' set down by the European Economic Commission," the report stated. The report asserted that "each sample had enough poison to cause—in the long term—cancer, damage to the nervous and reproductive systems, birth defects and severe disruption of the immune system."

The tests made headlines in newspapers across the country and the Indian Parliament discontinued the sale of Pepsi and Coke in its cafeteria, while several lawmakers demanded a ban on the drinks. (Rama Lakshmi, *Washington Post*, http://www.organicconsumers.org/foodsafety/pepsi_pesticides. cfm/, accessed on 7 December, 2011)

The news that the favourite cola drinks of modern Indians contained pesticides in them had taken all Indians by surprise. Both Pepsi and Coke had always been considered to be global giants and it was unthinkable for any young Indian to ever imagine that these multinational companies have been feeding them lethal and contaminated soft drinks in all these years. The Center for Science and Environment (CSE), a Delhi-based environmental NGO, released a report in 2003 to this effect. The report published in all the leading media in the country and abroad had indicated that the soft drinks, e.g., Coke and Pepsi and over a dozen other popular beverages marketed by the companies under the brand names of The Coca-Cola Company and PepsiCo, had pesticides in the samples tested by the centre and that the quantity of pesticides found had greatly exceeded European standards.

The environmental NGOs have been very active of late in India and they act as the watch agencies for the benefits of Indian consumers and keep the consumers aware of and protect from the uncalled for unethical practices of business. The report of contamination in commercial bottled beverages manufactured by the leading multinational firms by an environmental NGO brought to light as to how consumerism is gaining grounds in the India market. Even though a small segment of the population in India drink the bottled fizzy waters, the concern that the drinkers of Pepsi and Coke

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will be affected by the contamination jolted both the consumers and the government agencies. The revelation of the soft drink contamination in a way hinted at the problem of water pollution, which is widespread in the Indian markets and, possibly, will be affecting all kinds of liquid drinks in India, including mineral and bottled water. The CSE focus on the issue of contaminated beverages was taken up very seriously by the government agencies despite the fact that the beverages in question had come from the plants of very powerful multinational corporations (MNC) like Pepsi and Coke.

The report of the contamination of the ground waters highlighted the lack of governmental controls on the unregulated pesticide industry in the country and its effect on the environment. The message of widespread contamination in the popular drinks created enough public awareness about the risks involved in the public health, and hence it exerted pressure on the government to act. That the contamination existed in the well-known international brands, whose quality was often taken for granted by consumers, brought into focus the problem of a badly regulated pesticide industry and its serious environmental and public health impacts.

The public outrage, especially from the educated middle class consumers, too exerted pressure on the government to create regulations that would ultimately have to confront the problem of nonpoint source pollution—the source of pesticides in bottled beverages. The revelation of contamination and the traces of the pesticides beyond the permitted levels in the widely consumed soft drinks and subsequent widespread media coverage were successful in getting the government to constitute a Joint Parliamentary Committee (JPC) to examine the issue—namely, the lack of appropriate regulations governing the quality of commercial bottled beverages—and make policy recommendations. The JPC directed the Bureau of Indian Standards (BIS) to come up with appropriate standards for bottled beverages sold in the country. The revelations by an environmental NGO had been widely publicized through the media coverage, and the whole episode of consumers being aware of their rights proved highly effective in bringing to the notice of the administration the important environmental and public health issues and resulted into changing of policy for the welfare of the consumers.

Sources: The case study has been adapted and written from various news sources on the Internet: http://www. businessweek.com/globalbiz/content; http://www.indiaresource.org/news; http://www.countercurrents.org; http://www.physorg.com/new; http: //www.organicconsumers.org/foodsafety/, all accessed on 7 December 2011

DISCUSSION QUESTIONS

- 1. Describe what is meant by consumer welfare. What role can an NGO play in educating consumers about their rights? Elaborate from the case study discussed above.
- 2. How can the media help in the formation of public policy? Do you think the media in India was able to protect the rights of the consumers in the case study discussed above?

ACTIVITY

Visit the Internet to find out more of such cases where the non-governmental organizations have been successful in bringing into focus the trials and tribulations of the consumers and subsequent change in the government policies.

Organizational Customer and Buying Behaviour

15

LEARNING OBJECTIVES

After reading this chapter, you would be able to understand

- The concept of organizational buying
- Organizational demand and purchase behaviour
- Organization culture
- The process of organizational buying
- Organizational customer relationship management

BUSINESS MARKETING

Business marketing is different from consumer marketing. In consumer marketing, the focus is entirely on the single individual customer who buys the products and services for his personal consumption and satisfaction of needs. Business marketing, on the other hand, refers to the process of marketing of goods and services to:

- Commercial organizations
- Retail establishments
- Industrial establishments
- ▲ Governments and governmental organizations
- Not-for-profit organizations

These organizations buy goods and services for their use in the manufacturing and creation of goods and services that they market to other businesses, individuals and ultimate consumers for making profits or for providing utilities and services both against profits and against no profits to public. Hence, organizational buying purports to serve the internal client, the external client and the general public at large by ensuring that the goods and services bought meet the specifications at the optimum cost and yield the desired profits to the organizations. The only factor common between consumer buying and organization buying is that both are managed by humans. Otherwise, both perform different functions. Business buying entities are known as organizational buyers. They operate in organizations and establishments manned by people, complete with administrative and operational systems established for the smooth running of business operations.

ORGANIZATIONAL BUYERS

Organizational buyers buy goods and services to reprocess a product or service and sell it to the next buyer. Organization buyers consist of the following kinds of organizations:

- 1. Manufacturers and industrial markets
- 2. Wholesalers and retailers who buy physical products and resell them again without any reprocessing
- 3. Government agencies
- 4. Non-governmental organizations

Each of these organizations assign the responsibility of buying products and services to some people as per policies, rules, regulations and systems established by them. These organizational customers therefore, will consist of marketing systems, distributions, logistics and the official relationships at various levels. Table 15.1 describes the characteristics of, and the dimensions involved in, organizational buying. It is clear from the table that organizational buying is more comprehensive and system-driven as than consumer buying.

CHARACTERISTICS OF ORGANIZATIONAL/INDUSTRIAL MARKETS

Demand for industrial products and services is driven by and is dependent upon the demand for consumer/other industrial products and services. The purchasing policies or procedures of the organization act as constraints on buyers, who have to operate within the systems established by the organizations. These systems may vary from the buying of the requirements from the open market to the calling of the bids at the international level in order to meet the specific requirements of the business the organization is working for. As such, the characteristics for each organization may be completely different and diverse, depending on the vision of the purchase and marketing departments set forth by the owner of the company. The purchase vision could be the offshoot of the need of both internal and external customers that the organization will be serving. The vision will also depend on the objectives of the buying policy set forth by the organization. The characteristics of the organization and industrial markets are as follows:

Characteristics	Dimensions of buying		
	Consumers	Organizational buyers	
Market characteristics	 Large number of consumers in the market Demand is driven on account of personal needs of the individual 	 Few numbers of consumer in the market Demand is a derived demand and will involve large purchases 	
 Product or service characteristics 	 Products or services are such that can satisfy the individual demand and as such are generally bought in smaller quantity Generally bought as finished goods The deliveries are obtained instantly or at best in the shortest possible time, as the need must be satisfied as it arises. 	 Products and services are specification based and will need technical percision The products purchased are generally raw materials/semi finished or materials to be used in the running of another business Delivery schedule, quantities, etc. are predetermined 	
 Buying process characteristics 	 Individual consumers buy products and services Depending on the purchasing power and the propensity to pay In addition, many other tangible and intangible influences propel decision-making There may not exist any direct relationships between the user and the manufacturer 	 The professional buyer has to follow the systems, policies and procedures established by organization Buying influences motives, reasons and the requirements are of many kinds and are generally spelt out as a written procedure and policy The supply sources are limited in numbers and hence long- term reciprocal relationships are established 	
 Marketing mix characteristics 	 In consumer markets, a long chain of middle channels play a very important role Personal selling and all kinds of media, sales promotion activities are made use of to reach the consumers 	 Number of channels involved are only one or two Direct selling is more effective in organizational selling Technical advertising and trade channels are used for promotion Price negotiation, quality precisions, delivery schedules, trust and customer relationships established over the longer period play an important role. 	

TABLE 15.1	A Comparative Analysis of Organizational Buying vs Consumer Buying
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Market Characteristics

Market characteristics of the business-to-business marketing for which organization is set up will have several distinguishing features, which could relate to the industry and the geography the organization belongs to. The marketing characteristics of the buying organization also depend on the market structure and marketing practices established by the industry. The distinctive market characteristics of the organizational/industrial markets are enlisted below.

Geographical Concentration

Individual customers can be spread all over the world, but organizational markets are, by and large, concentrated in particular geographic areas and locations. These locations could be in industrial towns, commercial towns and export processing zones. The concentration of the organizations could be the result of industry plants set up close to either raw material sources and the location of the ultimate customers or government subsidies and developmental schemes available in particular backward industrial areas. The recent trend to set up industries in special economic zones developed by the Government of India has brought many kinds of industries closer, where both the supplier and the customers are close to each other. In India, the concentration of marine industry can be seen closer to sea shores. IT related industry is concentrated in cities like Pune, Bangalore and Gurgaon. Cycle and other related engineering goods are clustered in the northern states of India.

Far Fewer but Substantially Large Buyers

The number of organizational buyers in any market is always very few as compared to individual consumers. The purchases done by these organizations depend upon the competitive bids submitted by the participating firms. The decisions of these organizations for buying products and services from other agencies depend on many participants. For large business firms, the objective of buying is usually to increase profits by reducing costs or increasing revenues. They need a longer period of time for entering into purchase agreement with the suppliers, as the quantities ordered by them are very huge and substantial. The quantities ordered have to be consistently supplied by the suppliers, as the production and business of the buying organizations depend on these supplies. Raw materials and components needed by these firms go into the making of other products and hence they need quality goods on a regular basis. Thus, the relationship between the customer and the supplier may take longer to develop. Organizations, many times, spend huge sums on the development of the vendor's products and supply systems to enable it to keep pace with their technology and innovations and provide products and services in line with their expectation and their customers.

Derived Demand

The demand for the organizational customers is a derived demand. The purchase orders placed with the suppliers involve huge purchases. The derived demand of the organization includes such products as are used as raw materials for manufacturing of other products. The purchases may relate to semi-finished goods to materials to be used in the running of another business. For example, to manufacture a car, the car manufacturer will have to source all kinds of spare parts, tyres, and accessories to fit into the cars made by him. While the demand for the finished product of the car manufactured comes from consumers, the car manufacturers' own demand of components, spare parts and accessories is a derived demand, which depends on the demands of the cars in the market. If the cars are selling and the demand is good, the demand for the spares will also be good. However, if the demand of cars drops at the consumer's end, the demand for the components, spare parts and accessories will be equally affected.

Organizational Demand by and Large Remains Inelastic

Buyer-seller relationships and supply partnerships are based on long-term relationships between organizational and industrial buyers and sellers. On many occasions, these relationships lead to

reciprocal arrangement wherein two organizations agree to purchase each other's products and services. The vendors develop their facilities and capacities of the plants for the original equipment manufacturers after entering into long-term contractual arrangements and hence, the demand for the supplies does not change very significantly in the short period. This is unlike the consumer markets where the demand fluctuates based on the seasonal demand. In consumer markets, the supply of the products may vary on day-to-day basis. The demand in consumer markets may be determined by factors such as the supply and demand situations, and the prices may fluctuate depending on the market forces.

Long-term Relationships

The business relationship between the organizations and their suppliers is always maintained for longer periods of time without renewing the terms and conditions. The organization may take a number of years to get the right source of suppliers. If may have spent time and money to develop a vendor's or the supply source with full support of its own research and development. When Maruti Udhyog was set up in India, the parts of cars used to be imported in semi knocked-down condition into India, but the company supported and developed many vendors in India over the years. Now, the indigenous content is almost 100 percent that goes into the making of the Maruti cars. In order to keep this long-term relationship going, the organization buyers and their suppliers may adopt mutually beneficial objectives, policies and procedures. They do so for the purpose of lowering the cost and/or increasing the value of products and services delivered to the ultimate consumer by way of better product and systems innovations.

Complementary and Joint Demand

The organizational customer, who is basically into manufacturing of new products or even trading of products to other business or to the customers, will not be buying only one product. In most of the cases, it asks for complementary and combination of purchases for the manufacturing. For example, the company manufacturing cars may need tyre and tube combination sets from the supplier. Similarly, the computer manufacturing company may purchase sets of CPU along with desk tops.

Organizational Buyer Characteristics

The organizational buyer characteristics depend on the nature and size of the business of the buyer organization. The following common characteristics can be attributed to buyer organizations.

Centralized Buying Systems

Purchases made by commercial organizations are generally of technical or commercial nature. The buying of these products involves huge sums of money. They may also have to adhere to the particular requirement of meeting all kinds of commercial and technical specifications. Hence, large organizations and companies form purchase committees and purchase groups of officials from different departments from within the organizations. These members of the purchase committees though represent the interest of their own department, they share common goals, risks, and knowledge which are relevant to a purchase decision. In large structured organizations, the centralized buying system is highly formalized and is called a buying committee. A firm marketing to any of these

large industrial firms and government units will have to understand the formal hierarchical structure and technical and business functions represented by each member of these groups, before making a representation to the group as a whole for persuading them to buy its products. The composition of these purchase or buying committees depends on the nature and specifications of an item being bought. But irrespective of the nature and structure of the centralized buyer group, a buyer or purchase manager is a member whom the firms approach in the beginning to get an entry into the firm for doing business with them and getting orders.

Technical and Professional Knowledge

It is essential that any buying agent or the purchase authority representing the organization have a thorough and in-depth technical and commercial knowledge of the products and services purchased by the organization. Even in the large retail organizations such as shopping malls and super markets, buying agents are adept in the art of buying and they are fully conversant with the commercial and technical aspects of their buying.

Organizational Buying depends on Pure Logistics and Rational Motivations

The organizational demand is a derived demand and hence, the judgement of logistics and rationality of meeting the end-users' basic requirements prevail upon all the buying decisions of the organization. The buying agent has to strictly decide on the merits of the specifications. He can only be motivated by the factors that meet the purchase criteria set forth in advance by the organization. No other motivation such as emotions, likes and dislikes of decision-makers can be allowed to influence the decisions-making process of the buyers, which is quite contrary to the decision-making by the individual consumers. The objectives for the purchase in any professional organization may include factors such as meeting quality expectations, adherence to specifications, delivery schedules, optimum pricing and terms of credit, vendors' long term reliability and serviceability. Some of the rational and logistic motives that are taken into account by the purchase agents are:

- 1. Price
- 2. Credit and other discount terms that can affect the real pricing
- 3. Ability to meet the quality specifications as required for the item
- 4. Ability to meet the required delivery schedules
- 5. Ability to meet the emergency requirements in shorter durations
- 6. Technical capability
- 7. Warranties and claim policies in the event of poor performance of the product
- 8. Past performance on previous contracts within the trade
- 9. Production facilities of the supplier
- 10. Production capacity and current production capacity utilization
- 11. Adherence to and the approval by the Bureau of Indian Standards (BIS) specifications.
- 12. Approval by International Standards Organization (ISO)
- 13. Standards for registration
- 14. Certification of a manufacturer's quality management and assurance system
- 15. Reports of the on-site audit of practices and procedures adopted by the supplier
- 16. Historical relationships with suppliers that fit a buyer's needs and those of its customers

ORGANIZATIONAL BUYING DECISION-MAKING APPROACH AND BUYING SYSTEMS

Decision-making processes that organizations follow to establish the need for products and services and to identify, evaluate and choose among alternative brands and suppliers are vastly different from those of the individual consumer's. The buying decision-making approach in commercial and the non-commercial organizations follow a set pattern and system. An organization has to take the following factors into account for making the buying decision:

- 1. Formal System Enumerated by the Organization: Any commercial organization, whether working for profits or otherwise, will have a formally devised buying system with the financial, technical and commercial terms and conditions specified in writing so that no ambiguity remains in the purchase decisions to be arrived at by the purchase department of the organization. The formal systems, as laid out by the organization in writing, will spell out the types of proposals to be invited, the number of quotations needed, the kinds of firms that can quote their proposals, and technical and commercial terms and conditions. Then, the quotations received by the organization have to undergo the formal procedural assessment and evaluation by the designated authorities within the organization before any quotation can be negotiated and converted into a formal purchase order.
- 2. Formal negotiations: Negotiations do not refer to the negotiation of the price alone. The negotiations, in addition to the price of the product, can be about the product quality and quantity, terms of inspections, approvals by the standardization authorities, validity of the discounts and other related offers, delivery schedules, force majeure clause, future price negotiations, contractual validity and obligations, legal references and arbitration clauses, etc. The negotiations are generally done in an amicable atmosphere by the respective representatives of the supplier as well as the buyer. This way, both the interested parties can develop long-term relationships, which is the backbone of all kinds of commercial transactions.
- 3. **Consistency in demand:** Organizations may negotiate and finalize their purchase less frequently once they have set up their supplier source. But once they approve a supply source, their buying remains consistent and normally does not change due to extraneous reasons. The consistency in demand will be maintained for all those products and raw materials that go into the making of other products. Similarly, trading organizations that trade products to other businesses and consumers for profit remain consistent in their buying behaviour, as profitability must be maintained by them to service their customers. This ensures their survival in business. Some products such as consumables, capital goods and peripherals though may not be bought so consistently.
- 4. Reciprocal purchases: Organizations may sometimes prefer to get into reciprocal buying arrangements with those companies which buy their products and services. This way, both the organizations can mutually cater to each other's requirements. This helps in many ways. For example, both can have a reliable and trustworthy supply source and in place of shelling out the hard cash, the companies can make mutual book adjustments. For example, a company manufacturing auto parts for a car manufacturer may get into the buying arrangements for cars from the car manufacturer to meet its own need of vehicles.

FACTORS THAT INFLUENCE ORGANIZATIONAL BUYER BEHAVIOUR

The buyer in an organization is a part of the system and he has to operate within the parameters set forth by the organizational systems. He may not get individually influenced or motivated by the extraneous and emotional factors as he has to follow the systems and the procedures laid down by the top management of the organizations. But the buyer behaviour of the organization definitely gets influenced by the cultural and environment factors prevailing both within and outside the organization. The organizational buying behaviour gets affected by the industry customs and traditions, and the culture that prevails in the commercial and business circles. The factors can be broadly categorized into the four categories as shown in Table 15.2.

External Environmental	Internal Organizational	Interpersonal	Individual
Economic environment	 Vision and objective 	 Official status of purchase authority 	 Educational qualifications
Technological environment	Purchase policy	Diligence and persuasion	Technical knowledge
Fiscal environment	 Systems and procedures 	 Personality 	Attitudinal factors
Political environment	Organizational hierarchy and structure		
Competitive environment			
Suppliers and vendors			

 TABLE 15.2
 Factors that influence organizational buyer behaviour

External Environmental Factors

Environmental factors such as fiscal and regulatory policy of the government, economic condition of the country, the global economy and the economy of the industry affect organizational buying decisions to a large extent. Technical environment such as level of technology acceptance, attitude towards technological development and innovations and acceptance of innovations does affect the buying patterns of industrial and organizational buyers. When technology passes through evolutionary and revolutionary changes, organizational buying becomes very conservative as innovations make the existing inventories obsolete. Similarly, the stability of the political environment, the behaviour of the currency at the international levels, the infrastructural development and the social environment also affect organizational buying. Competitive environment, barriers and facilitators for the new entries to the industry have to be taken into account by the organizations while determining their purchase strategy and policy, both for short term and long term.

Internal Organizational Factors

Every buying organization operates towards achieving its own vision as determined by its top management. Based on the vision, the buying organization will determine its objectives of buying. The objectives can help the organization to work out its long-term and short-term purchase policy

and lay down systems and procedures of buying. A large buying organization has to be very clear in its organizational hierarchy and structure within the purchase department so that control and check and balances can be established for ensuring optimized purchase that can be both profitable and optimized for the organization. Organizations do not look for only profitable buying. They definitely want the optimized purchase for each of their buying, a buying that is well aligned with their aims and objectives. The internal organization factors will include the following basic features:

- 1. The system established for the purchase of the materials, i.e. is it a centralized system or the individual units are authorized to make their own purchases independently.
- 2. The system established for the spot buying, short-term buying and long-term buying.
- 3. The system established for the calling of quotations, proposals, bids and tenders.
- 4. The system established for the comparative evaluation of the proposals and offers.
- 5. The system established for the generation and evaluation of the demand from various internal organizations and departments.
- 6. The system and the hierarchy established for the approval of the vendors and suppliers.
- 7. The system established for the placement of orders and entering into purchase contracts with the vendors and suppliers.
- 8. The system established for quality control and testing of the vendor supplies.
- 9. The systems and practices established for vendor evaluation.
- 10. The principles and policies established for the development of long-term relationships with the vendors and suppliers.

Interpersonal Factors

Interpersonal factors pertain to the hierarchical chart of the purchase organization within the organization. The status and authority of the officials who will be handling the purchase function within the organization is planned and systemized by the organization in advance, keeping in view the commercial and technical skills and knowledge required by the participating agencies at various levels of the organization. Many times, the value of the purchase to be managed by the respective authority is also specified. Interpersonal roles played by various officials in a centralized purchase system are as given in Figure 15.1.

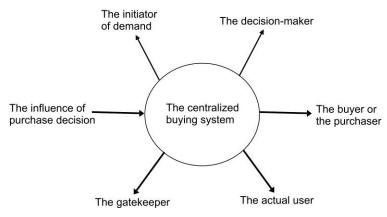


FIGURE 15.1 The centralized Buying System of a Large Organization

Centralized Buying System

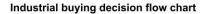
In large industrial, commercial and retail organizations, the team members from different departments sharing common goals, risks, and knowledge important to a purchase decision are made members of the centralized purchase system. The centralized purchase system in these organizations is highly formalized and is called a purchase committee or a buying committee. A firm keen to undertake the marketing of its products and services to such large industrial firms and other government and non-governmental units will have to make a thorough study of the hierarchical structure, technical and business functions represented by each member and participatory and other related buying behaviour of the members of these groups. The composition of the centralized buying system in any organization depends on the nature, value and volumes being bought. It is, however, certain that a buyer or purchase manager is almost always a member. Managers and officials from other functional areas are included, depending on the specifications from the need source and the kind of the purchase involved. We have seen in Figure 15.1 that the centralized buying system involves the following participants from within the organization:

- 1. Users: Users are the people in the organization who actually use the product or service.
- 2. **Influencers:** They are the specialists who specify and define the specifications for what needs to be bought. They can influence the buying decision of the organization as their advice is usually sought by the buyers.
- 3. **Buyers:** They can also be called purchasers/purchase agents who have the formal authority and responsibility to call for proposals from the supplier sources, select the supplier, negotiate the terms of the contract and present the facts to the committee or the buying authority for deciding and finalizing the contract.
- 4. **Deciders:** These are the people or officials from the top management. They have the formal or informal authority to select or approve the supplier who has placed the order and given the purchase contract.
- 5. **Gatekeepers:** They are generally at the lower end of the authority, who direct and control the flow of information to other members of the buying centre.

ORGANIZATIONAL BUYING PROCESS

The sales person approaching the organizations, firms and companies for marketing of his products has to understand the following stages of the order processing as given in Figure 15.2, before the buying decision process is actually completed by the buying organization. Each organizational buying decision has to undergo any of the three stages of the buying, depending on the situation.

- 1. **New Buy:** New buy situation is one when the **o**rganization is a first-time buyer of the product or service from the source. This may involve greater risks, so organizational formalities and activities of the centralized buying system are expanded by involving all those who are stakeholders in the new purchase.
- 2. **Straight Rebuy:** It refers to the situation when the supplier has already passed through the initial stages of approvals and testing and have been a regular supplier of the needs. The buyer in this situation reorders an existing product or service from the list of approved vendors and suppliers.



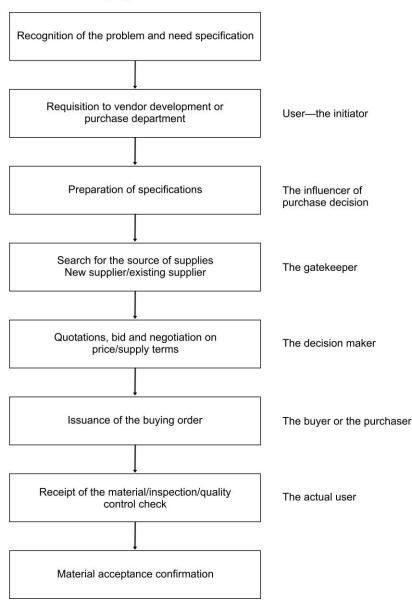


FIGURE 15.2 The Stages of the Organizational Buying Process (Industrial Products)

3. Modified Rebuy: Such a situation arises when the users, influencers, or deciders in the buying system want to change the product specifications, product price, delivery schedule, or source of the supplies.

Organizational buying is not the responsibility and task of only one individual as is usually done in consumer buying. The supplier firms' sales persons have to deal with many levels till the

finalization of the buying order, affecting of the supplies, acceptance of the material supplied and the final release of the payment. The post-supply follow-up is equally important in the organizational selling as is the pre-supply ground work of submitting the proposals, getting the approvals and procurement of the purchase order and contract.

Figure 15.2 discusses in detail the steps involved in the organizational buying in a sequential manner in an industrial buying system.

Recognition of the Problem

The recognition of the problem begins when someone in the organizational buying system recognizes a problem and that problem gets spelled out into a specific need. The problem can arise due to some of the following internal or external reasons in any organization:

Internal reasons:

- 1. The organization has introduced a new product in the market and for that a new set up will be required both at the plant (machinery, capital equipment, raw materials and consumables) and at the administrative offices (consumables, furniture, furnishings, support systems, stationery, etc.).
- 2. The need can arise on account of the innovation in the existing products for which some new and innovative kind of material and machine may be needed.
- 3. The new method of production in the existing line may necessitate fresh buying.
- 4. The break down in the plant can create the need for new parts and machinery.
- 5. The company may be interested to bring into its fold a new vendor to ease out the procurement pressures on the existing vendors.
- 6. The company has called for fresh negotiations/ new contracts as a cost cutting measure and would like to widen its purchase base.

External reasons:

- 1. The vendor has introduced a new product that can improve the efficiency, product performance or even the cost factor of the organization. In such an event, the organization may want to try it out.
- 2. The competitors have introduced some new/improved kinds of products and the market expects the organization also to follow the suit.

Need Specification

Once the organization has taken the decision to introduce a new buying, the need specification will have to be spelt out in terms of product characteristics and description, dimensions and technical features, quantities needed in the short run as well as in the long run, performance expectations, pricings and other cost factors, delivery schedules, delivery modes, vendor qualification parameters, and other pre- and after-sales support systems from the vendors.

Preparation of Product Specifications

The buying organization has to prepare the technical specification and percision quality parameters for the product to be bought by the organization. Specialists and technical experts whose stakes in the product are involved at this stage gather in a group or a buying value evaluation committee is set up to assess the product on the basis of its suitability in terms of technical, commercial and financial suitability of the organization. That means that at this stage, officials from the product engineering department, manufacturing, finance and costing are invited to give their evaluation of the product under consideration and also look for viable alternatives.

Search for and Evaluation of the Source of Supplies

The source of supplies can be sought and developed from either the new supplier, or the vendor development department can ask the existing suppliers to develop the products for the company. The vendor selection will be done on the following important vendor development philosophy of the organization:

- ▲ Technological capability of the vendor.
- ▲ Production capacity.
- ▲ Financial capability.
- ▲ The management philosophy of the vendor whether it is in congruence with the purchase vision set forth by the buyer's company.
- ▲ Trustworthy and dependable source of supply.
- ▲ Capability to maintain the delivery schedules.
- ▲ Can be trusted even in case of emergency, if any other vendor falters.
- ▲ Reciprocity of purchase.
- ▲ Dependable after-sales service of the vendor in case of breakdowns, product failures.
- ▲ Dependability in terms of organizing training sessions for the running of the equipment, maintenance of the equipment and the training sessions in self-repairs.
- ▲ Accessibility to the higher authority at the vendor's end and the customer relationship strategy adopted by the vendor supplier.

Thus, the buyers will prefer such vendors whose supply sources can prove cost-effective in all respects, and not merely on price alone.

Inviting Proposals

The qualified vendor suppliers are, at this stage, asked to submit their proposals to the buying organization. The proposals, in addition to quotations and price bids, will mention the validity of the prices, negotiability on price/supply terms. The proposal will also include other terms related to technical specifications, production capacities, and delivery schedules. The quotation can also include the details and references of all those satisfied customers who have been dealing with the supplier for such products earlier. Many times, such credentials can come handy in convincing the buyer firm that they are selecting a capable supplier source.

Issuance of the Buying Order

After having done the vendor evaluation on the parameters mentioned above, the buyer firm has to place the formal purchase order on the supplier vendor. The written purchase order issued will include the terms such as product technical specifications, price and other related discounting terms, payment terms, delivery schedules and delivery terms, i.e., freight, insurance and packing details. The purchase order will also mention about warranty, guarantee, replacement terms, after-sales service terms, and special conditions, if any. Many times, the purchase contract includes terms such as arbitrational and force majeure clauses, which explain in detail the means to be adopted by both the parties, should a dispute arise in the future. The written order, when accepted and signed by the vendor, becomes a formal contract. Otherwise, both the organizations can enter into a formal legal contract if they so prefer.

Receipt of the Material/Inspection /Quality Control Check

Depending on the specific conditions mentioned in the contract, the buyer will issue receipt for the material delivered after the buyer's quality control department certifies that the material received meets the specifications mentioned in the purchase contract. The buying organization can return the material supplied if it fails to meet the standards specified in the purchase contract, or it can ask the vendor to rework and resupply the material after the rework has been carried out.

Material Acceptance Confirmation

The material acceptance receipt by the purchase organization in many firms is treated as confirmation of the vendors' right to get the payment for the material supplied. Companies like Maruti Udhyog Limited, Bajaj Auto Limited and Escorts Limited follow the system of releasing the payment to the vendor only after the material acceptance confirmation is issued by the purchase department.

The steps enumerated above sequentially represent only the standardized purchase mechanism of all kinds of industrial organizations, although each organization will have to set up its own purchase systems, depending on the situational requirements and the infrastructure developed.

IMPORTANCE OF ONLINE BUYING IN ORGANIZATIONAL BUYING

Online marketing has been adopted by many vendors to maintain and develop the online customer relationship systems in order to serve their customers better and provide them with online 24 hours, 365 days support in their buying. The online buying in organizational purchase systems is gaining prominence on account of the following three major benefits:

- 1. Web-based technology is freely available. It provides a constant information channel and conduit for timely supplier information related to:
 - Technical specifications
 - Product availability
 - ▲ Application uses

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- ▲ Price
- ▲ Delivery schedules.
- 2. On line web-based technology has substantially reduced order processing costs both to the buyer and supplier firms.
- 3. Web-based technology has proved very cost-effective and has been instrumental in reducing marketing costs, particularly personal selling, travelling and communication and advertising costs. The online technology has been helpful in broadening the potential customer and vendor supplier support for many types of products and services.

E-Marketplaces

e-market is another form of web-based market. It can be called the Virtual Organizational Market. E-marketplaces can be identified with a variety of names such as

- ▲ B2B exchanges
- ▲ e-hubs
- ▲ on line markets

Such e-market performs the following important functions:

- 1. E-marketplace provides a web-based platform to the buyer and the seller organizations.
- 2. It manages to bring together buyers and supplier organizations, in particular the smaller organizations, who find it difficult and expensive to approach the individual organizations independently by way of personal selling.
- 3. The web portals on the e-marketplaces make the real-time exchange of information, money, products, and services available to all the member/ customer organizations.



- Business marketing is the process of marketing of goods and services to commercial organizations, retail establishments, industrial establishments, governments and governmental organizations, and not-for-profit organizations.
- Organizations buy goods and services for their use in the manufacturing and creation of goods and services that they market to other businesses, individuals and ultimate consumers for making profits or for providing utilities and services both against profits and against no profits for public.
- Organizations assign the responsibility of buying products and services to specific people as per their policies, rules, regulations and systems.
- Market characteristics of the organizational buying systems depend on the industry and the geography the organization belongs to, the market structure and marketing practices established by the industry.
- The organizational buyer characteristics depend on the nature and size of the business of the buyer organization.
- Decision-making processes that organizations use to establish the need for products and services and to identify, evaluate, and choose among alternative brands and suppliers are vastly different from those of the individual consumer's decision-making systems.

- A commercial organization, whether working for profits or otherwise, will have a formally devised buying system with financial, technical and commercial terms and conditions specified in writing so that no ambiguity remains in the purchase decisions to be arrived at by the purchase department of the organization.
- The buyer behaviour of the organization definitely gets influenced by the cultural and environment factors prevailing both within and outside the organization. The organizational buying behaviour gets affected by the industry customs and traditions, and the culture that prevails in the commercial and business circles.
- Environmental factors such as fiscal and regulatory policy of the government, economic condition of the country's global economy and economy of the industry affect the organizational buying decisions to a large extent.
- Technical environment such as level of technology acceptance, attitude towards technological development and innovations and acceptance of innovations does affect the buying patterns of the industrial and organizational buyers.
- Every buying organization operates on its own vision as determined by the top management of the organization, and based on the vision spelt out, the buying organization will determine its objective of buying.
- In large industrial, commercial and retail organizations, the team members from different departments sharing common goals, risks, and knowledge important to a purchase decision are made members of the centralized purchase system called a purchase committee or a buying committee.

OBJECTIVE TYPE QUESTIONS

- 1. The organization buyers consist of
 - (a) Manufacturers and industrial markets
 - (b) Wholesalers and retailers who buy physical products and resell them again without any reprocessing
 - (c) Government agencies
 - (d) Non-governmental organizations
 - (e) All of the above
- 2. Internal organizational factors that can affect the organizational buying are:
 - (a) Vision and objective of the buying organization
 - (b) Purchase policy of the buying organization
 - (c) Systems and procedures adopted by the buying organization for its buying
 - (d) Buying organizational hierarchy and structure of the buying organization
 - (e) All of the above
- 3. Individual factors contributing to decision-making by the organizational buyer are
 - (a) Educational and commercial qualifications of the buyer
 - (b) Technical knowledge of the buyer
 - (c) Attitudinal factors
 - (d) All of the above
- 4. Some of the rational and logistic motives that are taken into account by the purchase agents is
 - (a) Price, credit and other discounts terms that can affect the real pricing
 - (b) Ability to meet the quality specifications as required for the item

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- (c) Ability to meet required delivery schedules
- (d) Ability to meet the emergency requirements in shorter durations
- (e) All of the above
- 5. The centralized buying system of the buying organization involves the following participants from within the organizations
 - (a) Users who actually use the product or service
 - (b) Influencers who specify and define the specifications for what needs to be bought
 - (c) Buyers who have the formal authority and responsibility to call for the proposals from the supplier sources, select the supplier and negotiate the terms of the contract.
 - (d) Deciders who have the formal or informal authority to select or approve the supplier who has placed the order and given the purchase contract.
 - (e) All of the above
- 6. The external environmental factors that can affect the organizational buying are
 - (a) Economic environment and competitive environment
 - (b) Technological environment
 - (c) Fiscal environment
 - (d) Political environment
 - (e) All of the above
- 7. The distinctive market characteristics of the organizational/industrial markets are
 - (a) Geographical concentration
 - (b) Far fewer buyers
 - (c) Derived demand
 - (d) Long-term relationships
 - (e) All of these
- 8. State whether the following statements are true or false:
 - (a) A buying organization will have specific people assigned the responsibility of buying the products and services as per the policies, rules, regulations and systems established by it.
 - (b) The demand for industrial products and services is driven by and dependent upon the demand for consumer/other industrial products and services.
 - (c) Products and services bought by the industrial organizations are specifications based and need technical percision.
 - (d) Buyer-seller relationships and supply partnerships in organizational buying are based on long-term relationships between organizational and industrial buyers and sellers.
- 9. Fill in the blanks:
 - (a) The supply sources for ______ are limited in numbers and hence long-term reciprocal relationships are established.
 - (b) _____ demand by and large remains inelastic.
 - (c) The buying agent can only be motivated by the factors that meet the ______ set forth in advance by the organization.
 - (d) In large structured organizations, the centralized _____ is highly formalized and is called a buying committee.

REVIEW QUESTIONS

- 1. Define the term 'organizational buying'. Discuss in detail the market characteristics of a consumer market and an industrial market.
- 2. Discuss in detail the major factors that influence organizational buyer behaviour.
- 3. Discuss the term 'derived demand'. How does it affect the buying behaviour of a manufacturing organization?
- 4. Discuss the stages of the organizational buying process.
- 5. Discuss briefly the importance of online buying in organizational buying.

ACTIVITIES

- 1. Visit the local distributor of any FMCG company in your area and understand the buying process involved in the buying of the redistributable products. Find the factors that are taken into consideration for buying by the distributor:
- 2. You can prepare a questionnaire and undertake a survey of the retail of the local shopping area to understand how the retailers organize their buying process. Discuss the results and findings in your class.
- 3. In order to understand the process of organizational buying, visit the office of a product manufacturing organization in your town. Discuss with the purchase manager as to how the buying system has been adopted by the organization and what factors they take into account for placing a vendor on their approved buying list. Discuss the same in your class.

Additional Reading

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Answers to Objective Type Questions					
l. (e)	2. (e)	3. (d)	4. (e)	5. (e)	6. (e)
7. (e)	8. (a) True,	(b) True, (c) T	rue, (d) True		



The sales engineer of High Tech Instruments And Controls Limited has been regularly following up with Taffe Tractors for putting his company on the preferred vendors' list of the suppliers for the supply of tractor parts that his company manufactured. The sales engineer knew that since they were only casual suppliers to the tractor manufacturers, the purchase order will be placed on them only if other suppliers falter in their supplies. The sales management of High Tech Instruments And Controls Limited has been advising him to take up the issue with the buying agents of the tractor manufacturers and ensure that the company gets regular share from out of the huge purchases of the tractor manufacturer company.

The buying agent in the tractor manufacturing company, who handled the position of the Purchase General Manager, informed about the following procedure that the latter should adopt for getting on the approved list of the suppliers of Taffe Tractors:

- 1. The sales engineer should submit the samples of the tractor parts to the vendor development department.
- 2. The parts so submitted will be sent to the users and testing labs within Taffe tractors for their comments.
- 3. If the tractor parts submitted are fond meeting the standards set by the manufacturers of the tractors, the purchase general manager will then place a small Trail order for those parts for testing in the field by the engineers of the company.
- 4. The sales engineer should canvass Taffe Tractors' equipment users to identify potential applications of the parts supplied by him.
- 5. After the tractor part is identified, the user personnel must make a demand on the purchase department and make them undertake the evaluation of whether components and assemblies will be purchased from these suppliers on the offered terms and conditions by way of a regular purchase contract.
- 6. Taffe Tractors will then employ a sophisticated process for evaluating the sales engineer's firm for the supply of tractors parts.

The steps that have been enumerated by the company involve the following:

- ▲ Receiving and evaluation of the offer price in comparison to competitors' offer.
- ▲ The evaluation of the technical specifications of the parts offered for supplies and their quality descriptions and standardizations certificates.
- ▲ Quantities offered by the suppliers during season and during off-season.
- ▲ Delivery schedule and delivery time specified by the supplier.

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- ▲ An objective value analysis by the product engineering and costing department will involve a systematic appraisal of the design, quality, and performance of the product offered to reduce purchasing costs. This will involve the evaluation of three main buying criteria to select High Tech Instruments And Controls Limited as the regular supplier:
- ▲ Price
- ▲ Performance
- ▲ Delivery
- ▲ The bids submitted will have to be subjected to further negotiation concerning price, performance, delivery terms and after-sales services offered by High Tech Instruments And Controls Limited.
- ▲ Once the sales engineer's company has been given the purchase contract, the supplier may be dropped from the bidder's list if its performance does not meet expectations.
- ▲ High Tech Instruments And Controls Limited has to study and understand the tractor manufacturer's needs; and take it up convincingly with the right people in the buying centre.
- ▲ The purchase general manager also insisted that High Tech Instruments And Controls Limited has to set up a warehouse near the tractor' manufacturer's works to ensure supplies just-in-time.
- ▲ Finally, a written contract will be entered into by both the companies to establish a buyer-supplier relationship.

Source: It is a hypothetical case study developed by the author for better understanding of the subject matter.

DISCUSIONS QUESTIONS

- 1. Describe what is meant by negotiating procedure. On what points have the tractor manufacturer negotiated with the company High Tech Instruments And Controls Limited in this case study?
- 2. Explain the task of objective value analysis by the product engineering and costing department in this case study.

ACTIVITY

Visit any automobile company in your area to find out what systems are adopted by the company to conduct the value analysis of their vendor suppliers, from time to time.

The McGraw·Hill Companies

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