

Consumer Behavior

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Preface

Unlike in recent times, consumers have not always been regarded as the center of the strategies of organizations. Consumer organizations (organizations selling to consumers) were initially oriented toward production, as they assumed that consumers would consume whatever they produced simply because of its availability and low price. This approach later gave way to a quality-oriented approach with the belief that consumer would automatically prefer high quality products and services. The quality approach was followed by the selling-approach, under which aggressive selling was believed to be the only way that the organization's production could be sold. In all these three approaches, the consumers were just the means to sales and profitability for the organizations. However, by the middle of the twentieth century, more and more organizations began to feel the need to understand consumers, as they realized that mass production was increasingly being met with resistance from consumers. This resistance led to the failure of a large number of products that were introduced in the developed nations in the '50s and '60s.

The consumers had begun to prefer products that suited their individual tastes and preferences. At the same time, an increasing number of innovative products, consumerism, changing lifestyles across nations, and increasing international trade forced organizations to adopt a marketing-oriented approach. Under this approach, consumer segmentation became the norm and organizations actively researched the tastes and preferences of the target segment of consumers before production. This approach, thus, led to the origin and development of the field of consumer behavior.

Defining Consumer Behavior

Consumer behavior has been defined as “the acquisition, consumption and disposition of products, services, time and ideas by decision-making units.” In other words, it is the body of knowledge which studies various aspects of purchase and consumption of products and services by individuals with various social and psychological variables at play.

Consumers go through several cognitive and behavioral processes while making their purchase and consumption decisions. Consumer behavior, as a discipline, studies these processes to understand why, when, how consumers buy, and how often and what they buy. It also studies post-purchase behavior, which subsequently affects their future relationships with the products they buy, and their attitude toward the marketers of these products. Consumer behavior, therefore, includes the search, evaluation, purchase, consumption, and post-purchase behavior of the consumers and includes the disposal of the purchased products, keeping environmental and personal characteristics in mind.

The study of consumer behavior is not limited to just individual consumers, it also includes other decision-making units like families and organizations. However, the cognitive and behavioral processes are almost similar in each case. These three decision-making units can also be divided on the basis of the usage of purchased products and services. While individuals and families use the purchased products and services for their personal consumption or for gifting, organizations make purchases of plant, machinery, equipment, stationery, packing material, etc., to cater to the derived demand of the final consumers, i.e., individuals and families. Organizational buyers include government bodies, manufacturing units, service providers, marketers of products and services, etc.

The Need to Study Consumer Behavior

The field of consumer behavior is interdisciplinary, i.e., it uses concepts from a large variety of fields like anthropology, sociology, marketing, psychology, etc. The belief that consumer behavior could be predicted and consumers influenced gave an added impetus to the study of consumer behavior. There are, thus, four underlying principles on which the field of consumer behavior is based.

- Sovereignty of the consumers
- Consumer research facilitates an in-depth understanding of the consumers
- It is possible to influence consumers
- It is socially acceptable to influence consumers

The Future of Consumer Behavior in India

In recent times, consumer behavior has changed tremendously in India. Internet shopping has become a reality. Small stores are increasingly giving way to large format stores. The number of luxury brands has been continuously increasing over the last decade. Following are some important factors which have started affecting and will continue to affect consumer behavior increasingly in future.

- The increasing number of women in the workforce will affect fertility rates, leading to a decline in the birth rate, a phenomenon which has started to impact most developed nations across the world.
- A rise in the number of nuclear families is likely to impact the security needs of the consumers as well as lead to the increase in the demand for white goods.
- Changes in lifestyle and income distribution, the burgeoning middle class, further increase in the standard of living, and falling interest rates, are likely to affect the disposable income of the consumers and the way they spend it.
- Increase in regional mobility due to formation of industrial hubs like pharma in Hyderabad and IT in Bangalore are more likely to affect the cultural diversity of these regions as the migrating population will carry its cultural values and beliefs along with it. The diverse tastes and preferences are likely to impact the demand for products and services, leading to a more cosmopolitan culture in cities that become home to such industrial hubs.
- The increasing level of stress in future is likely to affect the demand for stress relieving products and services like vacations, yoga, fitness, and massage centers, as well as the demand for drugs, alcohol, and cigarettes.
- The need for consumer privacy can emerge as an important factor in India in future as e-commerce starts to grow.

These changes in consumer behavior are likely to affect the way businesses serve consumer needs in future.

Framework for Studying Consumer Behavior

There are many highly interrelated variables involved in the study of the consumer, which makes it much more complex to understand and predict their behavior. It is thus essential to study the subject of consumer behavior in a very organized manner. A framework has been developed to understand the various variables that influence consumer behavior, their characteristics, and their interrelation to other relevant variables.

This book has been divided into five main parts – i) Introduction to Consumer Behavior, ii) Consumer as Individual, iii) Consumer in Social Context, iv) Consumer as Decision Maker, v) Consumer and Marketer.

Part I consists of two chapters, namely, Consumer Research and Segmenting Consumers. Consumer Research discusses in detail the process of consumer research, along with both qualitative and quantitative methods of research. Segmenting Consumers covers consumer segmentation on the basis of geographical factors, demographics, psychographics, socio-cultural factors, etc. This chapter also looks at various criteria for effective segmentation.

Part II consists of five chapters, namely, Motivation, Personality, Perception, Learning, and Attitude. Motivation discusses various classifications, relevant motivation theories, and strategies. It also touches upon the concept of motivational research. Personality focuses on the nature of personality and the relationship between consumer and brand personality. Widely accepted personality theories by Freud and Jung and the various aspects of self-concept and its relationship with brand loyalty have been examined. Perception looks at the various elements of perception along with stages in information processing. The dynamics of consumer imagery and how marketers use consumer imagery also form part of this chapter. Learning examines various types of learned behavior and the role of memory in learning and purchase behavior. In Attitude, the characteristics, components, and functions of attitude as well as various related models and theories have been detailed.

Part III consists of four chapters, namely, Reference Group and Opinion Leadership, Family Influences, Social Class and Consumer Behavior, and Cultural and Sub-cultural Influences. The chapter on Reference Group and Opinion Leadership examines the role of reference groups and opinion leaders in consumer purchase decisions. It discusses the characteristics and types of both reference groups and opinion leaders. Family Influences discusses the composition of family, family decision-making, and life cycle of the family as also the concept of consumer socialization. Social Class and Consumer Behavior analyzes the nature of income and its relationship with consumers' social class. The concept of social stratifications and social mobility and various social class measurement techniques are also covered. Cultural and Sub-cultural Influences discuss in detail the role of cultural, sub-cultural, and cross-cultural influences on consumer behavior.

Part IV consists of five chapters, namely, Diffusion of Innovation, Consumer Decision-making, Consumer in Marketplace, Post-purchase Behavior, and Organization as Consumer. Diffusion of Innovation takes a detailed look at the nature of innovation and the adoption process as well as at the profile of consumer innovators and the concept of innovation resistance. In Consumer Decision-making, the process of consumer decision-making and some important models which help in predicting consumer decision-making have been discussed. The role of consumers as decision-makers and problem solvers has also been examined. Consumer in Marketplace, discusses various factors influencing the choice of outlet for making the purchase. Store-based and non-store-based retailing have also been briefly discussed. Post-purchase Behavior, takes a detailed look at the concepts of post-purchase dissonance, product disposal, and post-purchase evaluation. The concepts of product usage, consumer complaint behavior, and loyalty marketing have also been touched upon. In Organization as Consumer, the nature of organizational buying, the buying process, and the internal as well as external factors affecting the buying process have been gone into in detail.

Part V consists of two chapters, namely, Marketing Communication and Persuasion and Market Regulation. Marketing Communication and Persuasion looks at the nature of communication and factors affecting communication along with steps in the development of persuasive communication. Various advertising appeals have also been discussed in brief. Market Regulation takes a thorough look at issues relating to consumer privacy, impact of advertising, consumer frauds, consumer terrorism, and government regulations.

Part I

Introduction to Consumer Behavior

Chapter 1

Consumer Research

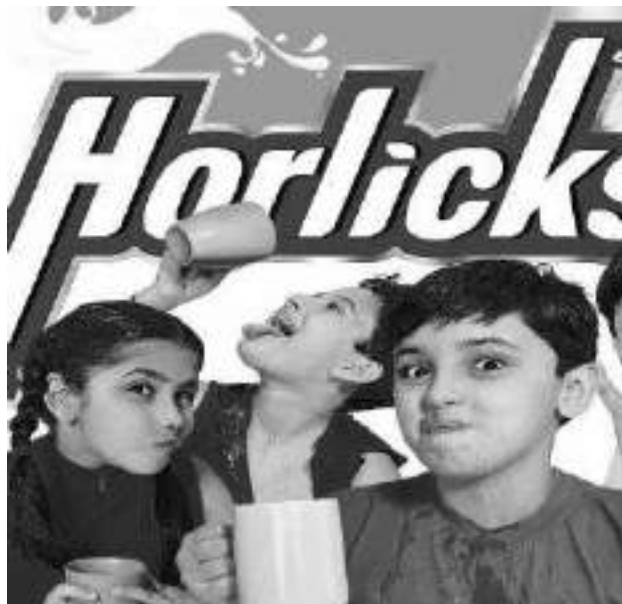
In this chapter we will discuss:

- Consumer Research: The Paradigm Shift
- Consumer Research Process
- Consumer Research: Good or Bad?

Consumer Behavior

Horlicks, Glaxo Smithkline's Rs.800 crore brand in the health drinks category, with a 130-year history, was growing very slowly in the early 2000s. Glaxo decided to conduct a large-scale consumer research to find out why. The market research found that the consumers, i.e., middle-class Indian children, perceived Horlicks as a health drink with a boring taste and considered it unappealing because it seemed old-fashioned. To counter this negative image, Horlicks introduced 3 new flavors – chocolate, vanilla, and honey – in addition to the existing malt flavor. The packaging was altered to make it more visible on shop shelves and to make it more exciting. The advertising campaign was also altered (following the research findings) to be oriented more towards children (the actual consumers with a substantial influence on decision-making) rather than towards the mother, as was traditionally the case¹.

Illustration 1.1: New Image of Horlicks with Focus on Children



Source: www.blonnet.com

Glaxo isn't the only one to alter its marketing strategy on the basis of consumer research. Today, many local, national, and international companies use research surveys in order to understand the consumer before launching new products, to study the impact of advertisements on consumers, to generate new product ideas, etc. Thus consumer research is an essential part of marketing activity. In this chapter we will study the need for consumer research and the consumer research process.

Consumer research has its origins in the development of marketing research. While the focus of marketing research is mainly to assist marketers in making better decisions, the primary focus of consumer research is to generate information pertaining to consumers. It answers the questions marketers pose, like – Who are the marketer's consumers? Why do they purchase from this particular marketer? Why do they purchase from competitors? etc. The importance of consumer research has increased tremendously over the years with increasing competition from domestic as well as international marketers and rising consumer awareness with respect to the choices available as well as consumer rights. Consumers' expectations with respect to customer service and quality of the product have increased phenomenally, and so to survive in the marketplace of today, consumer research serves as an extremely important tool to understand consumer behavior.

CONSUMER RESEARCH: THE PARADIGM SHIFT

Marketing used to be associated with the distribution of goods in the market and financial indicators such as profitability, cost minimization, and marginal returns. Over time, stagnating markets and increasing competition made the marketers focus more on consumer needs which led to the development and increased usage of marketing research. Consumer research has its origins in marketing research. In marketing research we use quantitative research and qualitative research.

Quantitative vs. Qualitative

The dictionary describes quantitative as “something expressed or expressible as a quantity; of, relating to, or susceptible of measurement; and, of or relating to number or quantity²”; while qualitative has been described as, “of, relating to, or concerning quality.” This suggests that quantitative research is related to numerical data and its analysis, while qualitative research is related to purely non-numerical study of consumers.

Quantitative research was used much before qualitative research as an aid by marketers. Qualitative research has its origins in psychoanalysis, which asks: Why do customers behave the way they do? The basic aim of qualitative research is to get useful insights and understanding of consumers.

The research community is divided over which method is better. Both types of research are used very frequently in consumer research today. The advocates of quantitative research believe that it is better than qualitative research as:

- Qualitative research is non-enumerative;
- The sample size in qualitative research is extremely small, therefore basing judgment on it is inappropriate;
- The sample selection is non-random;
- There is a high probability that the management or analyst might just hear what they want to hear, and without further analysis, a decision will be taken;
- It is often labeled as unscientific as there is no numerical proof to support it as in the case of quantitative research;
- It is believed to be costly and time consuming;
- It is also thought to lack the facility to compare various consumers' responses, which is easily done in quantitative research.

The advocates of qualitative research, on the other hand, believe that the cost of conducting a qualitative research is much less than that of a full-fledged quantitative research project. It takes much less time to conduct a few focus groups (a qualitative research technique in which consumers are invited to discuss a topic or an issue, moderated by an expert researcher) than to conduct a quantitative research project. Some other advantages of using qualitative research techniques are:

- It reduces the distance between the final user of information (say, the marketing manager) and the consumer;
- It incites high involvement for the marketer as he/she can witness the discussion first hand;
- The consumers' words and what exactly they mean to say can be easily clarified by the researcher and the marketer;
- It provides few, but very relevant, consumer insights, unlike quantitative research where the focus is often lost in number crunching and graphs.

Consumer Behavior

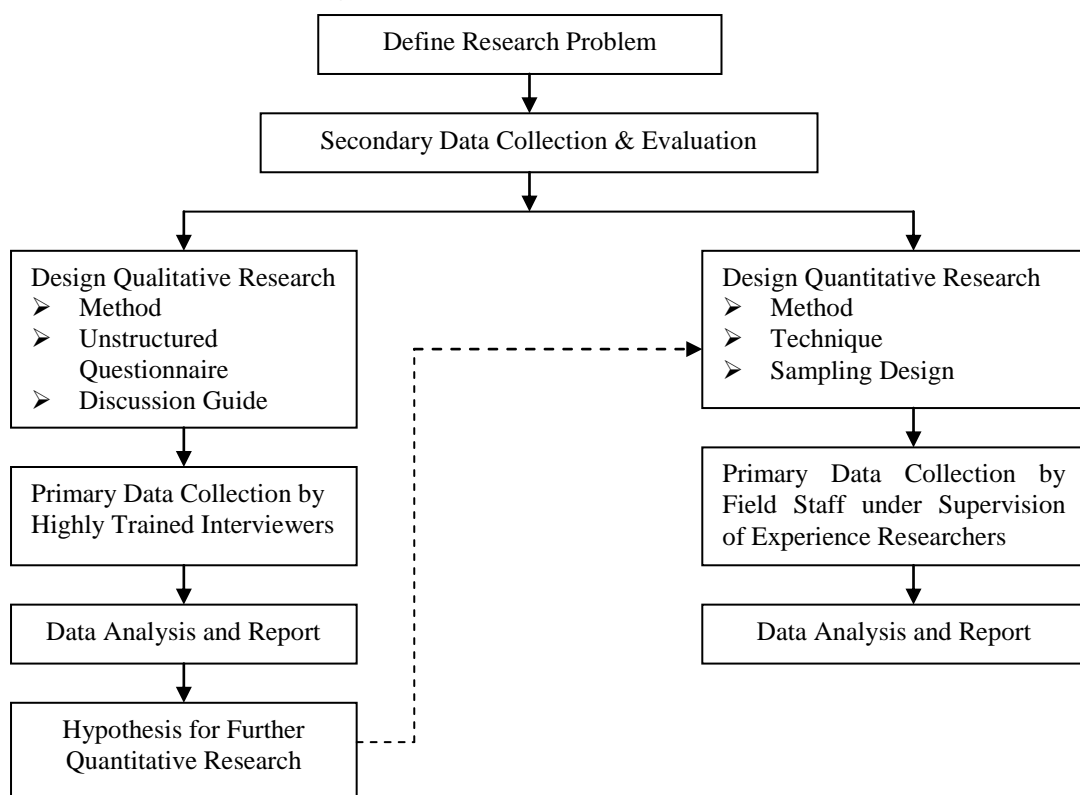
Many researchers use a combination of quantitative and qualitative research to solve research problems. Hypotheses (one or more assumptions or tentative explanation(s) that accounts for a set of facts and can be tested by further investigation³) are based on qualitative insights and can be verified by quantitative research. Say, the research problem is ‘to identify the reasons for low customer walk-ins in the store,’ the hypothesis may be ‘the store window is unappealing to the target customer.’ This hypothesis may be based on a general observation of the store management or it could be drawn from a focus group conducted to understand the possible reasons for low walk-ins. The hypothesis is then tested or verified by putting questions directly or indirectly to target customers through quantitative research.

In conclusion, one can say that both quantitative and qualitative researches have their use in eliciting specific types of information from the consumer.

CONSUMER RESEARCH PROCESS

The consumer research process involves – i) defining the research problem and developing objectives, ii) collection and evaluation of secondary data, iii) designing the primary research, iv) data collection, analysis, and final report. (Refer Figure 1.1 for the various steps in consumer research process)

Figure 1.1: Consumer Research Process



Adapted from Leon G. Schiffman and Leslie L. Kanuk, “Consumer Behavior,” (Pearson Education Asia, 7th edition), 18.

Defining the Research Problem and Developing Objectives

What do consumers look for while buying a computer? Why is e-greetings' sale low in India? What constitutes the marketer's target market? What percentage of households use rented cars? Market segmentation decisions, new product launches, and many other major and minor management decisions are aided through consumer research. Thus, each problem leads to an opportunity to know one's consumers better, which again provides marketers with important consumer insights helping in further improvement of consumer offerings.

The consumer research process starts with identification of a management problem or an opportunity, on the basis of which the research problem and objectives are formulated. A management problem/opportunity relates to decisions the management has to take, and the research problem looks at the information needed to facilitate that decision. The management of a biscuit company, for example, has to decide what new flavors or other variations to introduce in the market. This is the management problem. The research problem, in this case, will be to ascertain the preferred flavors in biscuits, consumers' readiness to try new flavors, and suggestions for new flavors consumers would want to try.

A proper understanding of the management problem and what information is needed from the research is extremely important. Without properly laid out research objectives, the purpose of the research cannot be achieved. On the basis of these objectives, a list of items for which information is needed is drawn up, and this forms the focus of the following step, i.e., exploratory research and analysis. The management and the researcher should reach a consensus over the objectives and the information needed. Any communication gap or wrong interpretation by either the marketer or the researcher could lead to the wrong objectives being set down. Research conducted on the basis of incorrect objectives will provide irrelevant information to the marketer. Therefore, before going any further, both parties should be very clear about the objectives of the research and what information the research will provide. Only after agreeing on objectives, should the next step be taken. If both parties do not agree with the objectives of the research, i.e., what information is required to solve the management problem, the objectives should be reworked.

Exploratory Research and Analysis

After defining the research problem and clearly stating the objectives of the research, the next step is to collect the relevant information from the available sources of information. This form of secondary data collection is called exploratory research. Exploratory or secondary research involves collection and analysis of any published data for a purpose other than the current one. It is important here, to differentiate between exploratory and conclusive research. Exploratory research involves exploring secondary sources of information, and provides a knowledge base for conducting conclusive or primary research. Conclusive research uses this knowledge base to extract more relevant information directly from consumers, retailers, etc. It is important to note that conclusive research serves as a source of information for exploratory research at a later date, to aid other management problems that may arise in different contexts.

Secondary sources of information can either be external or internal to the organization. Internet, books, magazines, journals, published research and studies, commercial surveys, national statistics issued by government, industry publications and research published by market research agencies, and audits are some examples of external sources of information while accounting and sales reports, and internal audits, are some example of internal sources of information. (Refer Table 1.1 for important sources of secondary information).

Consumer Behavior

Table 1.1: Major Sources of Secondary Information

Internal Sources	<ul style="list-style-type: none"> • Company's audit reports, sales reports, balance sheets, previous research reports, etc. and internal expert opinions.
External Sources	
<i>Government and Industry</i> (Various Indian government bodies conduct research for drawing up government plans)	<ul style="list-style-type: none"> • Central Statistical Organisation (CSO) and National Sample Survey Organization (NSSO) on official website of Ministry of Statistics and Programme Implementation (http://mospi.nic.in/) • Other government sites like National Human Rights Commission (http://nhrc.nic.in/); Ministry of Textiles (http://texmin.nic.in/); Tourism (http://tourisminindia.com/); Ministry of Rural Development (http://rural.nic.in/); Ministry of Commerce (http://commerce.nic.in/); Department of Telecom (http://www.dotindia.com/); etc. • Government and Industry Bodies like CII and FICCI
Books and Periodicals	<ul style="list-style-type: none"> • Indian Management Journal, Journal of Management Research, Yojana, Indian Journal of Marketing, Indian Economic Journal, Journal of Consumer Research, Journal of Advertising Research • Magazines like Business World, Business India, Images, Retail, Retail Yatra • Online databases like marketingresearch.com and newspaperarchive.com
Commercial Data ⁴	<ul style="list-style-type: none"> • Market Research Society of India (MRSI), Indian Market Research Bureau (IMRB), ORG-MARG, KSA Technopak, A.C. Nielson India, Delphi Research Services, Market Pulse are some of the market research agencies which cater to consumer research in India.

Adapted from Leon G. Schiffman and Leslie L. Kanuk, "Consumer Behavior," (Pearson Education Asia, 7th edition), 20.

Analysis follows the collection of secondary information. Sometimes the information collected from secondary sources is enough to answer the research problem. In such a case, no conclusive research is conducted as all the information needed to help solve the management problem is already available. If the information just provides some general insights but fails to solve the research problem, the researcher moves on to the next step, i.e., preparing the design and conducting conclusive research. The exploratory research, in the Glaxo SmithKline case, for example, indicates simply that the target consumers are dissatisfied with the taste of Horlicks and find the idea of health drinks unappealing. The company, in that case, will have to conduct conclusive research to get information about what flavors the target consumers want and what else the company can do to make the product more appealing to them.

Designing the Conclusive Research

Conclusive research involves collecting data from the primary source of information, i.e., consumers, retailers etc., or from some other company. Here the data is unreported and unpublished, and is directly collected by the researcher from the primary source. Before starting with this kind of data collection, a research plan has to be chalked out. This involves deciding - What method of data collection does this problem need? What techniques should be used? Let's discuss these issues in detail.

Data collection methods and techniques

There are two data collection methods – quantitative method and qualitative method. The choice of method depends on the kind of data needed to solve the problem. If there is a need to study the intrinsic characteristics and behavior pattern of consumers, a qualitative method is employed. For a more objective and detailed study, a quantitative method is employed.

Quantitative data collection methods

There are three basic ways to collect primary data under the quantitative method – observation, experimentation, and surveys.

Observation⁵

In this method, the researcher can choose to be:

- Non-participative, i.e., observe the research subject from a distance without interfering (example, the store staff observing the customer's purchase behavior in the shop);
- Partially participative, i.e., indulge in limited role-playing (example, posing as a customer in a store and trying to extract the seasonal sales information of some brands in casual conversation with sales people); or
- Participative, i.e., get fully involved with the research subject (example, enrolling as a student in a particular course to evaluate the effectiveness of the course offered by a university).

Although the observation method provides the researcher with accurate and in-depth understanding of the consumer behavior, the outcome may be influenced by the researcher's own interpretation. Also there are ethical and legal issues concerning misrepresentation and breach of trust, and use of personal information, in case of partial and full participation forms of observation study conducted by the researcher. A respondent, for example, may file a legal complaint of misrepresentation and wrong doing against the researcher, once the intent of the researcher is known. Companies find the observation method very useful in studying customer purchase behavior at the retail level.

Experimentation

In this method, the effect of a change in the dependent variable (variable dependent on some other variable(s), which responds to any change in the independent variable) is measured against the change in the independent variable (not dependent on any other variable), while everything else remains constant. So, for example, while everything else remains constant, the effect of fluctuations in price of bread (independent variable) on the sales of bread (dependent variable) can be studied. The experimentation method is widely used in product development (i.e., product mix – product, price, packaging, promotion, and place) as well as in pilot tests before launching a product in the target market. Experimentation can be done in a laboratory or in the marketplace. In laboratory experimentation, a sample group of people is invited and their reactions to a change in the product mix are measured under controlled conditions. In marketplace experimentation, the experimental object (product) is placed in the market (e.g., the product with new packaging is placed in the store and customer attention and purchase behavior is noticed). In the market experimentation, it has to be ascertained that there are no major external factors (festivals, strikes, etc.) affecting the dependent variable, otherwise the result will be erroneous. Laboratory experimentation is primarily used for:

Consumer Behavior

- Package test (number of modified versions of the existing package are shown to the sample group and results are captured through eye tracking, etc.);
- Advertising test (showing advertisement to the sample group of people and measuring its impact on them), and product test (testing the feasibility of the product for the market in the early stages of product development); and
- Market experimentation, for advertisement recalls and test marketing.

Surveys

Surveys are probably the most common method of data collection. Business periodicals, research journals, retail stores, brands - all these conduct surveys for one reason or the other. Surveys generally involve interviewing a chosen sample for information. Surveys can be conducted through a wide variety of channels like mail, telephone, internet, or face-to-face, depending on the accuracy required and time and money available. (Refer Table 1.2 for various types of surveys).

Table 1.2: Comparison of Various Types of Surveys

Factors	Mail	Telephone	On-line	Face-to-face
Cost	Low	Moderate	Low	High
Area Covered	Large	Large	Large	Limited
Response Rate	Low	Moderate	Self-selection*	High
Speed of Response	Slow	Immediate	Immediate	Immediate
Supervision Required	None	Moderate	None	High
Interviewer Bias	N/A	Moderate	N/A	High
Manpower Requirement	Low	Moderate	Extremely Low	High
Quality of Information	Excellent	Good	Excellent	Good
Quantity of Information	Limited	Limited	Limited	Excellent

* *Self-selection* here means that respondents are not approached by the researchers. The people using the internet choose to answer the question(s). Thus, the response rate is entirely based on the people coming to the site or web page on their own.

Adapted from Leon G. Schiffman and Leslie L. Kanuk, "Consumer Behavior," (Pearson Education Asia, 7th edition), 21 & Harper Boyd, Ralph Westfall, and Stanley, "Marketing Research: Text and Cases," (Richard D. Irwin Inc., 7th edition, Indian reprint 2002), 223.

Mail survey: This is a widely used channel of survey and involves a questionnaire (a list of questions) to be posted to the sample, who return the filled questionnaire. Questionnaires published in magazines and newspapers or attached with the product package, are all various forms of mail survey. Questionnaires sent through email also come under the same category.

Telephonic interview or survey: It is conducted by using large WATS (Wide Area Telephone Service) networks, which reduces costs tremendously. Bharat Sanchar Nigam Limited (BSNL) in India also provides this service to companies in India.⁶ Another method is to use CATI (Computer-Assisted Telephone Interviewing) which reduces the burden of the interviewer, as the responses are directly entered into the computer. It is also useful when there are different sets of questionnaires for different sets of respondents, say, a study to understand the consumption of luxury products by

teenagers (15-19), young adults (20-35), middle aged (36-55), and old (56+), will have different sets of questions for different age groups, while some basic questions will remain the same. Another form of telephonic interview (the same technology is used in banks, railway enquiry numbers, etc. to guide callers) is the recorded questionnaire where the computer-generated voice asks questions and consumers listen to the options and respond by pressing telephone buttons.

Questionnaire placed on the internet (or online survey): This has developed with the wide proliferation of computers and internet in homes and offices. Online surveys are widely used by news sites to get a consumer response to certain events and are popularly known as opinion polls. Long questionnaires are generally not effective, as it is costly for the respondent in terms of the time taken as well as the cost associated with using the internet service and phone bills.

Face-to-face interview: The interviewer directly approaches the subject and after seeking permission, takes an interview. Personal interviews are generally conducted either at the potential respondent's home or at shopping centers (mall-intercept). Sometimes, the subject is invited to the researcher's office to be interviewed.

As the survey method involves directly seeking information from consumers by asking them questions, researchers often give small gifts to respondents supplied by the company (say, in a survey by a news daily, the gift may be free subscription for a limited period) in consideration of the use of the consumer's time. But such incentives to induce information can backfire if the people pose as the target sample (say non-readers pose as readers of a particular news daily for the gift).

Quantitative measurement techniques

The concept of measurement involves assigning a quantifiable symbol/number to various attributes (say, consumers' attitudes, their height, store preference etc.), which are being measured. Each such symbol or code has a special meaning assigned by the researcher.

Quantitative research has a structured approach to data collection and uses different techniques of measurement, questionnaire and attitude scales being the most widely used ones.

Questionnaire

Questionnaires are a widely used tool to get desired information directly from the consumers. It is a form with a series of questions, which can be open-ended (to answer in one's own words) or close-ended (to choose from the given options). The questionnaire itself can be disguised (when there is a doubt that the respondent will shy away from giving information, like use of contraceptives or preference for anti-bacterial undergarments), or non-disguised (questions are asked in a straight-forward manner and the purpose of asking is conveyed to the respondent in advance). The form may vary depending on the channel through which it reaches the source of information, i.e., mail, telephone, online, or in-person. Questionnaire construction is an important factor, on which the quality of the information derived depends. Some major considerations in questionnaire making are:

- The length of questionnaire or the number of questions being asked;
- Language of questions and the level of complexity (which also depends on the channel, say sending through mail requires better explanation and simplicity, as respondents have to understand it on their own);
- The choice and sequencing of questions;
- Ease of data entry and analysis.

Consumer Behavior

After making the questionnaire, pre-testing is done to identify any problems or shortcomings in the questionnaire. A few sample questionnaires are filled in and analyzed, and in the process, shortcomings are identified and removed.

Attitude Scale

The dictionary⁷ describes 'attitude' as a complex mental state involving beliefs and feelings and values and disposition to act in certain ways. Therefore, an attitude reflects an individual's beliefs, feelings (likes and dislikes), and disposition. There are four types of scales to measure attitude – graphic rating scale, semantic differential scale, ranking, and multiple item scale (Thurstone and Likert scale).

Graphic Rating Scale: This is one the most widely used attitude measurement scales in quantitative research. In this scale, several attribute options are given. The options may number between 3 and 11, but 5-7 options are believed to be best, by many researchers. Too few attribute options restricts the respondent (say, 'quality' is used instead of asking the respondent for the 'quality of product' and 'after sale service') and too many confuse them (say, 'quality of voice,' 'overall product,' 'after sale service,' 'delivery' and so on). (Refer Table 1.3 for an example of a graphic rating scale).

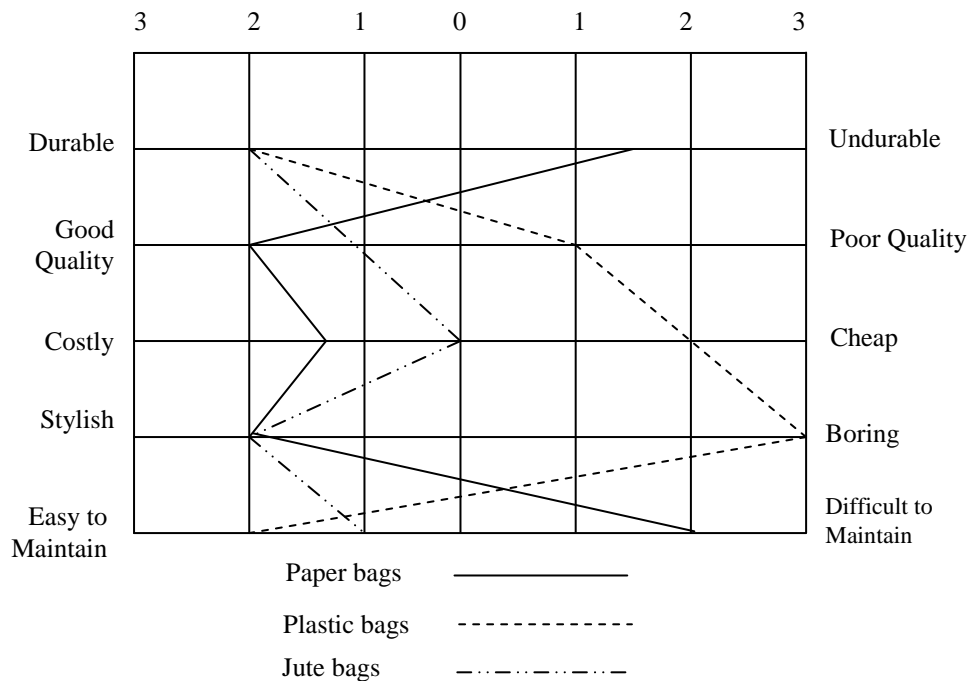
Table 1.3: Graphic Rating Scale

While purchasing a cell-phone, which of the following criteria will you consider?

	Extremely Important	Very Important	Somewhat Important	Not Very Important	Not at all Important
1. Quality of Voice	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2. Price	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3. Brand Name	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4. Exterior Design	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5. Additional Features	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6. Customer Service	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Adapted from Donald S. Tull and Del I. Hawkins, "Marketing Research: Measurement & Method", (Prentice-Hall, 6th edition), 380-381.

Semantic differential scale: This scale is bipolar in nature, i.e., it defines two extreme opposite adjectives to define the attitude to the object, and a measurement scale is inserted to measure levels between the two extremes. Some examples of bipolar adjectives are cheap/costly, poor/excellent, convenient/inconvenient, etc. It is used mostly for studying consumer perceptions of certain brands, stores, etc. This method is not only fast and easy, but is also reliable. It also able to measure all the relevant attributes related to the object and shows an effective comparison. (Refer Figure 1.2 for an example of a semantic differential scale).

Figure 1.2: Semantic Differential Scale

Adapted from Harper Boyd, Ralph Westfall, and Stanley, "Marketing Research: Text and Cases," (Richard D. Irwin Inc., 7th edition, Indian reprint 2002), 328.

Ranking: Ranking, as the name suggests, ranks the various attitude-options given to evaluate the respondent's attitude with respect to a product or service. It must be noted that ranking takes time and can be confusing for the respondent if too many attributes are required to be ranked by the respondent. (Refer Table 1.4 for an example of ranking).

Table 1.4: Ranking

Which of the following attributes do you consider important while purchasing Fashion Clothing?

(Please rank in order of importance; 1 being most important and 6 being least important)

- Color
- Styling
- Feel of the Fabric
- Durability
- Price
- Exclusivity of design

Adapted from Harper Boyd, Ralph Westfall, and Stanley, "Marketing Research: Text and Cases," (Richard D. Irwin Inc., 7th edition, Indian reprint 2002), 332.

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Likert scale: In this, a few statements regarding the object (product, service) are made and consumer is asked to agree or disagree with each of them. This attitude measurement scale is very easy for the respondent to answer. Each statement is assigned a score and the scale provides the summated score to the researcher based on what each respondent agrees or disagrees with. This scale cannot measure the difference between the attitudes as different respondents giving different answers can also get the same overall score. The major disadvantage of this scale is that same scores can be achieved by various combinations and so the overall attitude may not be clear. (Refer Table 1.5 for an example of a Likert scale).

Table 1.5: Likert Scale

Please place the number that best indicates how strongly you agree or disagree with each of the following statements about e-greetings.

-2 = Strongly Disagree

-1 = Disagree

0 = Neither Agree Nor Disagree

1 = Agree

2 = Strongly Agree

- a) e-greetings is an easy way to wish someone.
- b) The variety of greetings online is vast.
- c) One usually ends up sending greetings for no reason at all.
- d) e-greetings are not value for money.
- e) e-greetings take too long to open.
- f) e-greetings don't express feelings as good as paper greetings.

Adapted from Leon G. Schiffman and Leslie L. Kanuk, "Consumer Behavior," (Pearson Education Asia, 7th edition), 23.

Qualitative data collection methods and techniques

The important qualitative methods of data collection are – depth interviews, projective techniques, and metaphor analysis.

Depth interview

Depth interviews are of two types – in-depth interviews and focus groups interviews.

In-depth interviews: are face-to-face interviews between a researcher and the consumer. The interview has a moderate structure to raise important subjects on which information from consumer is needed, and yet maintain a flow so as to let the consumer speak out what he/she feels about certain brand, product, or service. Care should be taken that the probing is subtle; limited direction given to discussion by the researcher is sufficient, as over-direction may break the flow of information. Such an interview may be long (30 minutes or more) and may be video recorded with the respondent's permission, to be reviewed later by the researcher. Such flow of information from respondent to researcher not only allows researcher to study the body language but also gives him/her the chance to assess the feelings and motivations of the respondent in greater depth. This kind of technique is most useful in getting information which a consumer might hesitate to give in direct questioning, e.g. if the information is personal or disclosing it can hurt their image. Sometimes

respondents are not able to provide certain information as they don't know how to give it, i.e., they are unable themselves to fully understand why they did what they did, e.g. to understand the clothes buying behavior of consumers depending on the purpose (occasion) of purchase.

Focus Groups Interviews: are group depth interviews, i.e., they involve interviewing a group of consumers (generally 8-12), around a common point which is relevant for the topic of discussion. Say, all members of a focus group are middle class housewives with two young children. A focus group of 4-5 members is called a mini-group.

Care should be taken while choosing the sample as comfort level of group members with each other is necessary. For example, one can conduct a focus group interview to get insights into consumer purchase patterns with regard to fashion clothing. For this purpose, members are chosen from varying economic background, say, middle class, upper middle class, upper class, and rich class. In this case, the members might feel quite uncomfortable and conscious of their economic status. The discussion may not be open enough to give the kind of information that would have been possible if all members had the same socio-economic status. A focus group interview is an excellent opportunity to get consumer insights as each member expresses his/her opinion regarding the object of discussion while others react to it. It also lets the researcher (or moderator) observe the expressions and body language in a social situation, and this is not possible in an in-depth interview, where the researcher meets the respondent alone. The researcher (moderator) should have the skill to encourage all members to express themselves and initiate a healthy discussion. This technique is quite useful in registering impact of ads on target consumers and while developing a new product or concept. This kind of technique has also been used successfully with children between 5-10 years of age, in studies to get insights into their understanding of advertisements.⁸

Projective techniques

Projective techniques are disguised and unstructured, and like the other techniques discussed above, aim to get information from the respondents. Here, neither are any direct questions put, nor is any topic for discussion given; instead a stimulus (a word, or an incomplete picture, etc.) is given to respondents to react to. Only the immediate reaction or response, which the respondent is asked to give spontaneously after being exposed to the stimulus, is useful for the researcher. There are many types of projective techniques – association techniques, completion techniques, and construction techniques.

Association technique: It generally involves associating stimuli (brand name) with a single word or adjective or a series of words/adjectives. This technique is very useful in eliciting the respondents' perception of a brand and its image. Adjectives like fresh and fun may be primarily associated with Liril, while clean and hygienic are the adjectives that may be associated with Dettol. Such information is very useful for brand managers as it helps them to match the intended association (conveyed to consumers through ads) and the consumers' perception of the brand.

Completion technique: It requires the respondents to complete a sentence or a story. In sentence completion techniques, consumers are given a question and asked to answer in a phrase, while in story completion, the consumers are asked to complete an incomplete story. These two techniques are useful to gain insights into the consumers' disposition and their attitude towards a product or brand. A company making losses on a brand for example can use a story completion technique; in the story, say, a consumer wants to buy that particular brand but does not buy it. The story is left incomplete and respondents are asked to complete it; thus, they reveal their own reasons to explain the non-purchase by the consumer in the story. Such an exercise can provide information regarding problems with the brand.

Consumer Behavior

Construction technique: It is quite similar to completion technique but with less initial detail to go on, i.e., no story to complete, but some other situations.

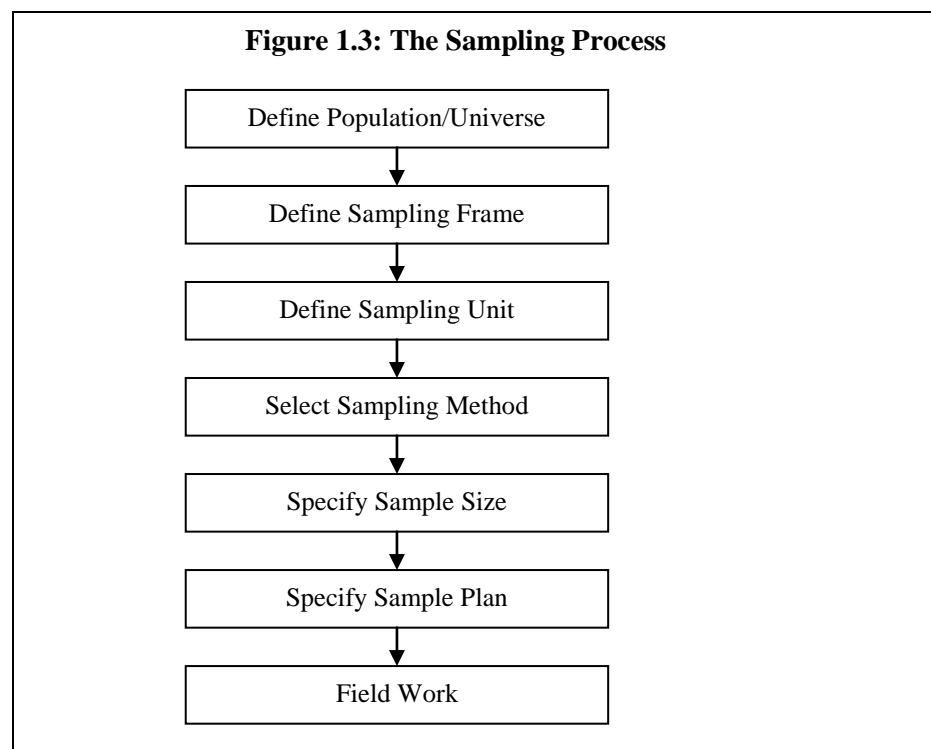
These are of many types. One is giving cartoon-like pictures of people talking. Their conversation is given but what they are thinking is left blank. Another way is to ask the respondents to project the opinion of their relatives, friends, neighbors, etc. regarding a product or brand. The researcher can also ask the respondents to personify a brand, i.e., naming a personality which best matches the brand personality. Sometimes researchers give the respondents an unclear, vague picture and ask them to describe what is happening in the picture, which again conveys the respondents' own perceptions regarding the product or brand. All these techniques give an insight into consumers' attitude regarding a product or brand.

Metaphor analysis

This is a new qualitative attitude measurement tool which has emerged in recent years. It is based on the idea that words are not the right way to measure consumer attitudes. It instead focuses on non-verbal techniques like collage making (to study cultural associations), Zaltman Metaphor Elicitation Technique (ZMET, to study how consumers make sense of something), and means-end chain model (to understand the link between product attributes and personal values of the consumers).⁹

Sampling

Sampling is the process of choosing the best representative set of the target population of consumers from the total universe (as defined by the researcher). A sample is unlike a census, where each and every unit of the universe is taken into account. (Refer to Figure 1.3 for an outline of the sampling process).



Adapted from Donald S. Tull and Del I. Hawkins, "Marketing Research: Measurement & Method", (Prentice-Hall, 6th edition), 64.

Two important sampling decisions are the sample selection and the sample size. Sample selection may be based on probability or non-probability techniques of selection (Refer Table 1.6 for summary of various sampling techniques). Sample size is primarily driven by the time and cost factors.

Table 1.6: Sample Selection Methods

Probability Sampling		
	Simple Random Sampling	It is the simplest probability sampling in which each unit in defined universe has an equal and known chance of being selected.
	Stratified Random Sampling	The universe is divided in various strata and then separate random sampling is done in each strata.
	Cluster Sampling Methods	The universe is clustered or grouped and then these clusters are selected on random basis and all the units under them are sampled.
	Systematic Sampling	The first sample is chosen at random and after that every n th person is sampled.
	Area Sampling	The universe is divided randomly as geographical regions, and all units are sampled in selected regions.
Non-Probability Sampling		
	Convenience Sampling	The sample is chosen from the universe based on researcher's convenience
	Judgement Sampling	The experts in the survey subject, based on their judgement, select representative samples from the universe.
	Quota Sampling	The universe is divided on basis of demographics and sample quota is specified for each division.

Adapted from Leon G. Schiffman and Leslie L. Kanuk, "Consumer Behavior," (Pearson Education Asia, 7th edition), 362-408.

Data Collection, Analysis and Findings Report

The final step in consumer research process is to collect data, analyze, and prepare a final report based on the findings. A good report should not only be highly focused but also easy to understand by the intended reader. This can be done through simple pictorial representations (flowcharts, figures, graphs) to facilitate understanding.

CONSUMER RESEARCH: GOOD OR BAD?

Consumer research is widely used by marketers to understand their target consumers. Many important marketing decisions are based on consumer research. Thus, the authenticity of research results and correct insights are critical for decision makers in the firm. (Exhibit 1.1 shows various instances of successful use of consumer research by P&G).

Exhibit 1.1 **Consumer Research at P&G**

From its inception in 1837, P&G has always sought product response from consumers in the form of complaints or suggestions. P&G was among the first companies to establish in 1924 a special department for market research to identify consumer preferences and buying habits. Consumer research is still the foremost tool for understanding consumers' needs for P&G.¹⁰ Here are some examples of how P&G repeatedly used consumer feedback and consumer insights through research to its advantage:

1. In 1879, an 'Ivory' brand soap machine operator discovered that due to over-stirring, the soap floated on water. The first consignment of Ivory 'floating soaps' was dispatched soon. P&G received appreciative comments from consumers and within a month, it had modified its production process so that the entire range of its 'Ivory' brand soap had this unique feature. The sustained popularity and demand for this soap till date is attributed to this unusual characteristic.
2. In 1956, when a P&G researcher experienced the inconvenience of frequently changing and washing his baby grand daughter's diapers, he decided to try and develop a diaper that was absorbent, kept babies dry, and was disposable. In 1961, after six years of intensive research, 'Pampers' was introduced in the US market.
3. In the 1970s, P&G's researchers saw that consumers were using screwdrivers and razorblades to open detergent boxes. Though consumers did not vocalize this difficulty, P&G took steps to develop a box that was easy to open. The new design, with a plastic insert in the cardboard, became very popular.
4. In India, in 2001, research conducted in Mumbai (India) indicated that Indian mothers were worried about giving internal consumption medicine (syrops and tablets) to their kids as they felt that giving such medicines might negatively affect their child's health. P&G used this piece of information to promote Vicks VapoRub, which could be applied externally to give relief from common cold.
5. When P&G was exploring the Eastern European market they observed that most of the flats in the region were small. P&G researchers also noticed that in many cases, the bathroom was adjacent to the living room, and the smell of laundry detergent permeated the flat when clothes were washed. Since inferior detergents, made by the state-owned factories were being used, the odor was not only strong but offensive. During P&G's research, customers only articulated the need for good cleaning power but P&G realized that a pleasant fragrance was equally important. The washing powder ultimately launched by P&G became very popular in the region.
6. Some consumers believed that P&G's Head & Shoulders (H&S) shampoo caused damage to hair. P&G ran a blind test and, based on the findings, was able to convince consumers that H&S did not damage hair.
7. During the launch of Physique hair care products, P&G invited consumers to register on its Physique.com website and sample the new products absolutely free. Within 12 weeks, more than five million consumers visited and registered themselves on the site, tested the product, and gave their feedback. This exercise gave the product a good start when it was launched.

Source: "Marketing Research at P&G," Case Study, ICFAI Center for Management Research.

Exhibit 1.2

New Coke

In the 1970s, Coca-Cola was facing stiff competition from Pepsi. Its market share, which was 41% against Pepsi's 24% in 1965, had been declining. In 1980, Roberto Goizueta became its CEO and tried to turn around the company by selling off its non-performing businesses. These efforts, however, couldn't stop the decline of its market share to 21.8% in 1984, from 24.3% in 1980.

In the meanwhile, Pepsi was attacking the taste of Coke, Coca-Cola's flagship brand, by conducting blind taste tests which showed that even Coke drinkers preferred Pepsi's taste.

Roberto Goizueta, by this time, was seriously thinking of changing the taste of Coke. In the next 2 years, Coca-Cola spent \$4 mn in interviewing 2 lakh Coke consumers to find out about their preference for Coke.

Coca-Cola also conducted a focus group research that revealed that many people were willing to try New Coke. However, some consumers believed that Coca-Cola should not alter the taste of the drink. Although both the surveys (focus group and survey research) indicated consumer dissatisfaction, their results were contradictory to each other. While the survey result indicated that such dissatisfaction was limited only to a small segment of the market, the focus group research observed a wider dissatisfaction.

The research, however, showed that many people preferred Pepsi to Coke because Pepsi was sweeter. Coca-Cola felt that the sweeter taste would appeal more to teenagers and youth. Hence, it decided to launch a sweeter version of Coke, the taste of which would be similar to Pepsi.

In September 1984, Coca-Cola introduced a new drink that 'tasted better' than Pepsi and scored 6 to 8 points¹¹ higher than Pepsi in blind taste tests. Though the market research had revealed customer dissatisfaction about the introduction of the changed version of Coca-Cola (New Coke). The company ignored it and decided to launch New Coke based on the results of the blind taste tests.

Coca-Cola launched 'New Coke' in April 1985 with much fanfare. The launch of New Coke elicited mixed reactions from the public. The initial response to the product was encouraging with distributors reporting a fairly wide acceptance of it. The enthusiasm, however, died down soon, forcing distributors to stop stocking 'New Coke.'

The subsequent protests from a huge number of consumers and a significant decline in the market share from 15% at the time of the launch to 1.4%, forced Coca-Cola to revert to its original formula ten weeks later, by launching 'Coke Classic' on 11th July, 1985. By the end of 1985, Pepsi had more market share than the combined market shares of New Coke and Coke Classic. However, in early 1986, Coke again became more popular than Pepsi as the sales of Coke Classic picked up. 'New Coke' was eventually phased out.

Some analysts felt that the findings of the market research group were erroneous, and the research was either in an inappropriate manner or was interpreted incorrectly. Some others, however, believe that it was a calculated risk taken by the company to evoke consumer response in favor of Coke by deliberately introducing an inferior taste in the form of 'New Coke.'

Source: "Launch of New Coke and its Aftermath," Case Study, ICFAI Center for Management Research.

However, there are many instances in the history of consumer research when the research results, used to make decisions, have backfired. The reasons could be faulty research, wrong interpretations, and many more. (The 'New Coke' fiasco is one such example presented in Exhibit 1.2).

SUMMARY

The discipline of consumer research has its roots in marketing research. There are two paradigms of consumer research – qualitative and quantitative. While qualitative deals with consumer insights in a visual form or in words, quantitative is primarily number driven. Some researchers now use both these techniques together to get more accurate insights.

The consumer research process focuses on defining the research problem, conducting exploratory and evaluation, conclusive research design and qualitative and data collection, analysis, and report.

Exploratory research involves collecting secondary data, i.e., already published data. If the research problem is solved by the secondary data, no conclusive research is needed. Conclusive research involves collecting primary data, directly from consumers, retailers, etc. The conclusive research project has to be designed before data collection can be done. The researcher has to select the methods of data collection, which can be quantitative and qualitative. Quantitative data collection methods include: observation (researcher observes the activities of the consumer), experimentation (the consumer reactions to change in product feature, price etc. are studied in the laboratory, under controlled conditions, or in the field), and survey (consumer is directly approached for information). There are many quantitative techniques or tools which are used for primary data collection – questionnaire (consumer is directly asked questions through mail, over telephone, online, or through personal interview) and attitude scales (attitude measurements techniques like graphic rating, semantic differential, ranking, and Likert scale). The qualitative methods of data collection are – depth interviews like in-depth interviews (personal interview with unstructured questionnaire) and focus groups (group interaction to study the consumer); projective techniques like completion technique (sentence and story completion), association technique (single word, phrase, or sentence), and construction technique; and metaphor analysis (collage making, ZMET, and means-end chain model).

Sampling is an important part of the research design and involves the selection of sampling unit, sampling method, and sample size depending on the time and cost factors. Sampling is followed by data collection, analysis, and report.

End Notes:

- ¹ Shashidhar, Ajita. "Horlicks in a new avatar." The Hindu Business Line, 10th July 2003.
- ² American Heritage® Dictionary of the English Language, www.dictionary.com.
- ³ The American Heritage® Stedman's Medical Dictionary, © 2002, 2001, 1995 by Houghton Mifflin Company.
- ⁴ <in.dir.yahoo.com/business_and_economy/.../market_research>&
<http://www.searchindia.com/search/Business/Companies/Market_Research/index.shtml> 5th Jan 2005.
- ⁵ Hirschman, Elizabeth. "Humanistic Inquiry in Marketing Research Philosophy, Method, and Criteria." Journal of Marketing Research, Vol. 23 Aug 1986.

- ⁶ Chalamalasetti, Madhavi. "Wide-area telephone service."
<<http://www.bsnl.in/Knowledgebase.asp?intNewsId=25089&strNewsMore=more>> 12th
Dec 2003.
- ⁷ WordNet ® 2.0, © 2003 Princeton University. <www.dictionary.com>
- ⁸ Oates, Caroline; Blades, Mark; Gunter, Barrie & Don, Jacquie "Children's Understanding of Television Advertising: A Qualitative Approach." Journal of Marketing Communications, Vol. 9 Issue 2, Jun 2003, 59-72.
- ⁹ Schiffman, Leon G. & Kanuk, Leslie L. Consumer Behavior. Pearson Education Asia, 7th ed. 27-28.
- ¹⁰ Sosnin, Alexander "Successful Story from P&G," <www.pg.ca.com>
- ¹¹ The points are given based on factors including taste, sweetness, flavor, color etc., which are used to judge the product in the blind taste tests. The product/brand that scores the highest points is considered the best performer and superior to its competitors.

Chapter 2

Segmenting Consumers

In this chapter we will discuss:

- Defining Market Segmentation
- Bases for Segmentation
- Criteria for Effective Targeting of Market Segments
- Market Segmentation Strategies

Segmenting Consumers

In 2004, Hindustan Lever Limited (HLL) was the largest fast moving consumer goods (FMCG) company in India. The segments where HLL was present included skin care (Fair & Lovely and Ponds), oral care (Pepsodent and Close-up), hair care (Sunsilk and Clinic), deodorant (Axe, Ponds, and Rexona), color cosmetics (Lakme), ice-cream (Kwality-Walls), food (Kissan, Annapurna atta, Knorr-Annapurna and Modern Foods), beverages (Brooke Bond, Bru, Lipton), fabric wash (Surf, Rin, and Wheel), personal wash (Lifebuoy, Liril, Lux, and Breeze), and household care (Vim). HLL is a highly consumer-focused company with different brands catering to different consumer segments with different needs and purchasing power. While Surf caters to the high-end consumers, Rin is aimed at the mid-market segment, and Wheel caters to the lower end of the market. In deodorants, while Axe is targeted at men, Ponds and Rexona are for women. In Lakme, Elle 18 line of color enamel is targeted at early teens and young adults. In shampoos, while Sunsilk is targeted as the hair expert for different hair kinds, Clinic is for healthy hair, especially Clinic AllClear anti-dandruff shampoo, which caters to the need of a large segment of population having dandruff.¹

Illustration 2.1: Some HLL Products



Source: www.hll.com

Consumer Behavior

Most marketers today deal in a large variety of products targeted at various consumer segments, each solving some problem or catering to some consumer need. A lot of research is put in before a marketer segments the market or recognizes a consumer segment. This research provides the marketer with the vital information on the basis of which he eventually enters a consumer market with a relevant product. In this chapter, we will study what exactly is segmentation and why it is needed. We will also study the basis of segmentation in great detail. In the last part of the chapter, we will study the criteria for effective targeting of segments and various segmentation strategies.

DEFINING MARKET SEGMENTATION

Gone are the days when one product suited all. Consumers now are much more demanding and the need for products suiting their tastes and preferences has increased. Their needs, wants and preferences are different and so the products they buy will have to match these; what they wear, eat, drink, drive, or where they live is a statement of their individuality. The era of mass markets has now given way to micro markets with a highly individualistic profile. This phenomenon has led marketers to segment markets.

Market segmentation is thus the process of dividing the market on various criteria like age, sex, region, culture, etc. Identifying the right segment to target is extremely important to marketers for it not only leads to higher consumer satisfaction but also better profits for the marketers. It also reduces marketers' costs as they now know who their consumers are, what they want, and how to reach them. Segmentation also limits competition, as in a highly segmented market; price, product features, distribution channel, promotion, customer service; all act as differentiators. Thus, overall, market segmentation is beneficial for both consumers and marketers.

Segmentation can take place at various levels – segment marketing, niche marketing, local marketing, and individual marketing. A *market segment* involves dividing the entire consumer population into large homogeneous segments on the basis of variables like common needs, purchasing power, region, or age. Lakme cosmetics, for example, caters to the basic need of women to look good. A *niche* is a specialized market segment. While a market segment is quite large and attracts more competition, niches are quite small and have much less competition. An example can be magazines targeted at specific sports like golf (Golf Digest), etc. *Local marketing* involves customizing global products to suit local tastes. McDonald's McTikki and Pizza Hut's Tandoori range of pizzas are examples of local marketing in India. *Individual marketing* is the highest level of customization, where each product or service is tailor-made for an individual consumer. An example is designer cars by Dilip Chabria.

Market segmentation has many uses and users. It is used for product positioning, repositioning, to define media strategies, product packaging and design, to determine the appropriate price and distribution channel. It is widely used by marketers of consumer brands to differentiate their brands from competitors. Head & Shoulders (H&S) and Clinic AllClear shampoos are for individuals with a dandruff problem while Pantene is primarily for healthy and shiny hair. Retailers also use segmentation to provide better variety, range, and quality of merchandise, and ways to service their customers better. Pantaloons, a part of Pantaloon Retail India Ltd. (PRIL), has shifted its positioning from being 'India's family store,' targeting age group of 25-40 years, to a younger age group of 16-30 years, identified now as its core target market.²

BASES FOR SEGMENTATION

There are nine major bases of consumer market segmentation – geographic segmentation, demographic segmentation, psychological segmentation, psychographic segmentation, socio-cultural segmentation, use-related segmentation, use-situation segmentation, benefit segmentation, and hybrid segmentation (Refer Table 2.1).

Table 2.1: Bases of Market Segmentation and Variables

Bases of Segmentation	Segmentation Variables
<u>Geographic Segmentation</u>	
Region	Northeast, Southern States, Maharashtra, Delhi
City or Metro Size	Metros, mini-metros, cities, towns, villages, tehsils
Density	Urban, suburban, rural
Climate	Hot, cold, rainy
<u>Demographic Segmentation</u>	
Age	Under 3, 3-6, 7-11, 12-19, 20-25, 26-35, 36-50, Above 50
Sex	Male, Female
Marital Status	Single, Married, Divorced, Widowed
Family Size	1, 2, 3-4, 5-6, 6+
Income	Less than Rs.10,000; Rs.10,001-Rs.25,000; Rs.25,001-Rs.50,000; Above Rs.50,000
Education	Secondary, Senior Secondary, Graduation, Post-Graduation
Occupation	Government service, professional, self-employed
<u>Psychological Segmentation</u>	
Need-motivation	Love, safety, security, self-confidence
Personality	Aggressive, introvert, dogmatic, impulsive
Perception	Low-risk, high-risk, better quality, more healthy
Learning-involvement	Low-involvement, high-involvement
Attitude	Positive, negative
<u>Psychographic Segmentation</u>	
Lifestyle	Urban mobile, cosmopolitan, couch-potatoes
<u>Socio-cultural Segmentation</u>	
Culture	Indians, Americans, Japanese, Chinese
Subculture	Punjabis, Jats, Marwaris
Religion	Hindu, Muslim, Sikh, Christian
Language	English, French, Hindi, Telugu, Kannada, Malayalam, Bengali
Social Class	Lower, Lower-middle, Upper-middle, Upper
Family Life Cycle	Bachelors, newly married, married with young kids, married with adult children, empty nesters
<u>Use-related Segmentation</u>	
Usage Rate	Heavy users, light users, active users, rare users, non users

Consumer Behavior

Awareness Status	Unaware, aware, interested, enthusiastic
Brand Loyalty	High, moderate, low, non-loyals
<u>Use-situation Segmentation</u>	
Time	Leisure, work, morning, night
Objective	Personal, fun, gift, time-pass
Location	Home, office, road, restaurants, in-store
Person	Self, family, friends, boss, peer
<u>Benefit Segmentation</u>	Economic, durable, value-for-money, convenient
<u>Hybrid Segmentation</u>	
Demographic/psychographic	Young urban mobile
Geodemographics	Working women in Hyderabad
SRI VALS	Actualizers, believers, achievers, makers, strivers

Adapted from Leon G. Schiffman and Leslie L. Kanuk, "Consumer Behavior," (Pearson Education Asia, 7th edition), 37; Philip Kotler, "Marketing Management," (Prentice Hall, 10th edition, 42nd Indian reprint), 264.

Geographic Segmentation

Geographic segmentation involves dividing the market on the basis of geographical characteristics like region, city size, density of population, and climatic conditions. Dividing people on the basis of region makes marketing sense as it is more likely that consumers in a region will have somewhat similar needs and wants. Some products have traditionally been accepted by consumers in a particular region, in their day-to-day life, while other regions have a limited market for the same product. North India, for example, is more of a tea drinking region, while South India is primarily a coffee drinking region. This also means that the marketers have to localize the brand to cater to the taste and preferences of regional consumers. Coffee consumption even in South India is not the same, with some regions preferring filtered coffee, while in other regions, instant coffee is preferred. This also applies to localization of the marketing channels, promotion, packaging, and media. Coca-cola chose Aamir Khan as its brand ambassador in North India, Jyothika in Andhra Pradesh, and Aishwarya Rai, in the rest of India.³

The size of the market and density of population also affects the consumption in a particular geographical region. Most marketers prefer metros for lifestyle products. The regional consumption pattern is also affected by the climatic conditions. An ice-cream brand in India will essentially find a better market in Delhi, U.P., Rajasthan which face long and severe summers than, say, Jammu & Kashmir or Sikkim.

There is an ongoing debate as to whether there is a need for geographic segmentation in the 21st century. Many marketing scholars believe that channels like the internet, catalogs, etc. have made the world a single market place and thus a single global marketing strategy is suitable in all markets. However, there are others who believe in a high level of segmentation for better returns.

Demographic Segmentation

This kind of segmentation involves dividing the population on the basis of variables like age, sex, education, occupation, income, and marital status. It is a popular way of segmenting among marketers as these variables are the few basic factors which drive the needs and wants of all consumers. Moreover, information on these parameters is readily available. Demographics is an important criterion which affects demand for products. Demographics all over the world keep changing with time, and along with

it, the needs of the population. What kids thought of as good entertainment two decades ago is not the same as what they do today. Fashion, for instance, has a strong dependence on demographics. It should be noted that this segmentation does not tell why a certain brand is being bought, i.e., the product choice criteria. Exhibit 2.1 presents the case of BBC World's entry in India and identification of a target market on the basis of demographic segmentation variables like education, occupation, income, and age.

Exhibit 2.1 **BBC World's Indian Viewers**

In 1991, BBC World, the international channel of the British Broadcasting Corporation, which was considered a pioneer in news reporting, was established to cater to viewers in Asia and the Middle East. In 1995, BBC World entered India.

Though BBC World entered India in 1995, Indians were familiar with BBC since the early 1930s through BBC Radio. Most Indians relied on BBC Radio for international news and views on global affairs. BBC World was therefore regarded as a channel that provided reliable and accurate news. Commenting on the channel's image in India, Narendhra Morar (Morar), BBC World's Commissioning Editor, Regions, said, "People watch us in a complementary way as well as to confirm news."⁴ It was reported that Indians considered BBC World as a news channel though it aired a variety of programs.

In order to increase its understanding of Indian viewers, BBC World conducted a survey – '*Horizon 2000*' – in association with ORG Marg.⁵ The survey was conducted to find out their investing habits, surfing habits, usage of mobile telephone and television viewing habits. It covered six Indian cities – Mumbai, Delhi, Kolkata, Chennai, Bangalore and Hyderabad. It surveyed 4,791 professional graduates and post-graduates (both men and women) in the 22-54 age group, who were living in Cable & Satellite (C&S) homes and had a monthly income of Rs. 8,000. The results of the survey showed that:

- 19% of the respondents invested in the stock market.
- 25% of the respondents had Internet access for their home computers, and 80% of that 25% used the Internet to send and receive e-mails.
- 73% of the respondents watched BBC for information.

An important finding of the survey was that the urban elite who were considered to be technologically smart, upmarket and having high disposable income, watched BBC World.

Along with *Horizon 2000*, ORG Marg conducted another survey – '*Decision Makers Survey*' – among 1,030 senior managers to find out their weekly TV viewing habits. According to the survey, around 73% of them watched BBC World. The survey also revealed that around 84% of CEOs, chairpersons, MDs and company presidents watched BBC World while 74% of them watched Star News. The Indian Readership Survey (IRS)⁶ conducted in 2000, also showed that during 1998-99, BBC World's viewership in India increased by 38%. According to the IRS, BBC World was viewed by the SEC A and B category⁷.

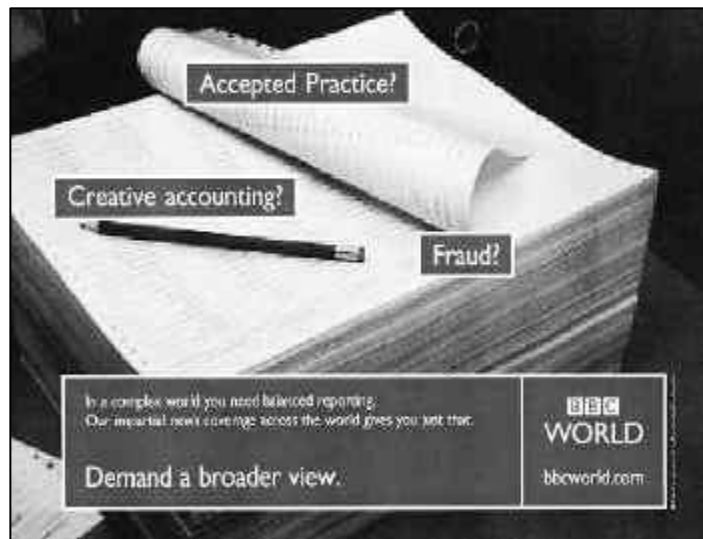
In accordance with the survey results, BBC World targeted business executives, whom it referred to as International Business Decision Makers, and international travelers. To make its programs accessible to travelers, by 2002, BBC World aired its programs in premium and super deluxe hotel rooms in India (which were popular among international travelers). Seema Mohapatra, Head, Advertising & Sales, BBC World in India, observed, "Our target audience travels far more than the average, and BBC World is very popular among travelers – it is the most important channel among Indian travelers while overseas."⁸

In addition to the above initiatives, BBC World focused on promotion and advertising to increase brand awareness among Indian viewers. Due to its focus on India-centric programs, BBC's viewership in India increased from 7-8 million homes in 1998 to 11 million homes in 2001.

Source: "BBC World in India", Case Study, ICMR Center for Management Research.

Consumer Behavior

Illustration 2.2: BBC World's Campaign in India



Source: The Hindu Businessline, February 5, 2003.

Age

Age is an important demographic variable, as needs and interests change with age. Childhood, teens, young adulthood, middle age, and old age – individuals in these stages, all have different motivations in buying, even if the item is the same product or service. The basic motivation in juice consumption, for example, might be different for kids (taste), youngsters (good looks and health), and old people (health and energy).

People born in a particular era also have similar shared experiences that affect their consumption patterns. The kind of cultural, social, and political environment one is brought up in during one's formative years, often have a lasting impact; people generally cherish what they grew up with. It is quite possible that present generation of kids growing up on junk food may result in a considerable chunk of old people consuming junk food, say 50-60 years from now.

Nations are generally characterized by their mean age factor. India, for example, is said to be a young country with half its population below 15 years of age.⁹ This suggests that India is a huge market for products catering to kids.

Sex

Gender has traditionally been an important variable in segmentation. Traditionally, the users of jewellery and cosmetics were women; while automobiles and gadgets were mostly used by men. But gender as a base for segmentation is slightly losing its meaning in some product categories, such as cosmetics. The concept of metrosexual men is picking up in India too, with larger numbers of men using fairness creams and moisturizers, and making visits to male beauty saloons.¹⁰ The increasing number of working women, nuclear families, changing household dynamics, and sharing of household responsibilities by both partners, has all led to a blurring of gender boundaries in India.

Marital status

For most consumer durable product categories, family has been the focus of promotion. Marketers usually try to influence the decision makers in the family. Singles, on the other hand, have different needs, and products that suit a family, may not necessarily be suitable for singles. A large section of the population in India, especially young people, lives away from their families, for studies or jobs. Marketers in India have seen in this, an opportunity to market products especially targeted at singles, and such products have started to appear on the store shelves. Ready-to-eat food from Ashirwad and Kitchens of India, instant cup noodles, Kissan's Soopy snacks are some of food products targeted at singles.

Income, education, and occupation

Income is generally associated with the ability or inability to pay for a specific product. Marketers of high priced luxury items generally aim at high income groups. But high income does not necessarily mean high purchasing power, and low income does not necessarily mean low purchasing power. In the era of quick loans and easy money, the pay package may not be as relevant to arrive at the purchasing power of an individual as it used to be a decade ago.

Income is generally correlated with education and occupation. Highly educated individuals generally land up in good jobs with 'fat pay cheques'. Education is also an important segmentation tool. The uneducated or illiterate population primarily depends on TV and radio as their source of information and most products targeted at the uneducated segment of society are promoted through these channels. Many government messages are also spread through these two media for better reach. Occupation-based segmentation also is quite useful when advertising in magazines. Different magazines cater to photographers (Asian Photography, Better Photography), auto industry professionals (Auto Car, Over Drive, Bike, Car Craft, Ride, Top Gear), technology industry professionals (digit, Chip, Electronics For You, Architecture A+D Design), marketing professionals (Pitch, Impact) and medicine (Indian Journal of Medical Sciences, Indian Journal of Surgery).

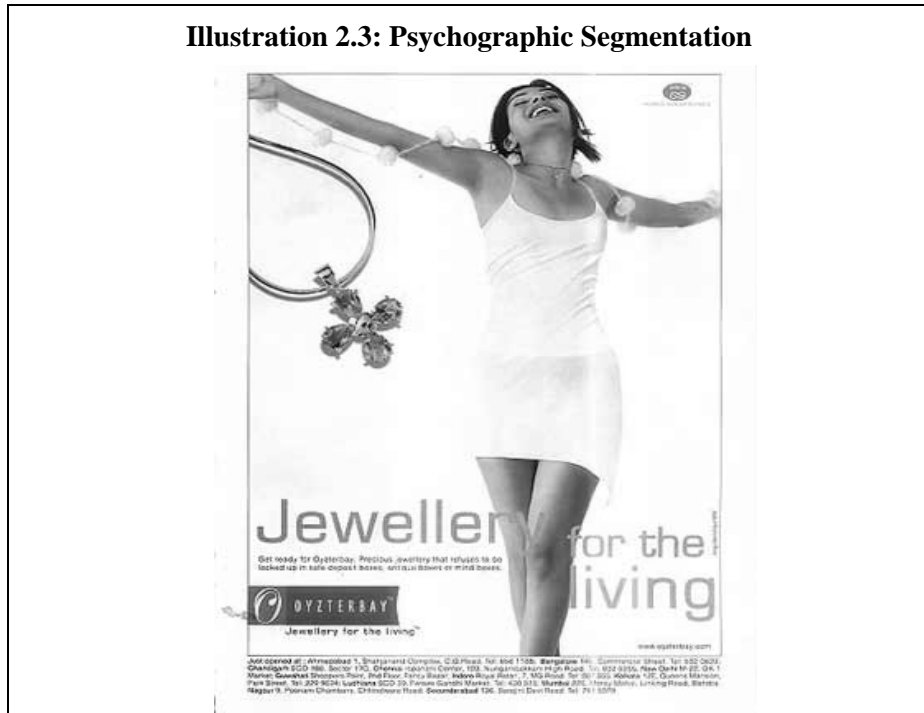
Psychological Segmentation

This kind of segmentation is generally based on psychological variables like consumer motivation, personality, attitude, and learning. These variables will be discussed in detail in the following chapters.

Psychographic Segmentation

Psychographic segmentation puts to use sociological, psychological, and cultural factors.¹¹ The psychographic profile of a consumer can be drawn on the basis of activities (job, hobbies, vacation, shopping, sports), interests (fashion, recreation, food, media), and opinions (social issues, politics, products) – AIOs. It is used to build a lifestyle profile of the users and non-users of a product based on which marketing strategies are built. This kind of segmentation can be used in defining the target market as well as in product positioning and promotion mix. A psychographic profile of a metrosexual male, for example, will be a young male who is in touch with his feminine side, is sensitive, doesn't shy from taking household responsibilities which were traditionally the responsibility of women, and believes that men do cry. He is also the man who takes care of his looks, sports trendy jewellery, and is comfortable with brands.¹²

Illustration 2.3: Psychographic Segmentation



Source: www.oysterbay.com

Sociocultural Segmentation

Sociocultural segmentation combines sociological (group dynamics) and cultural (core cultural values) factors. The segments can be on the basis of family life cycle, social class, and culture, sub-culture, and cross-cultural variables.

Family life cycle

The family as a unit goes on through certain phases in life - newly married, married with small children, married with grown up children, and empty nesters. Most families in a certain social and cultural environment have similar needs at various stages and pass through almost all the stages. Marketers segment families on the basis of the stages they are in, say insurance policy for newly weds and new parents, cars are generally aimed at families with children, paid home delivery services for old couples living alone. This variable is clearly influenced by other factors like marital status, income, and age.

Social class

Social class as a basis of segmentation can be quite effective as the values of people in different social classes are different, and so are the product preferences and consumption behavior. The values of a person belonging to a lower class will be very different from values of persons in the middle and upper class. This variable is obviously related to various demographic factors like education, occupation, and income, and is measured by taking a weighted index.

Culture, sub-culture, and cross-culture

Cultural values and heritage can be important bases for deciding marketing segments for many product categories like tourism and clothing. It becomes of prime importance in case of cross-cultural expansion by companies as culture is a strong base which binds people. A marketer needs to understand the beliefs and value system

Segmenting Consumers

of a culture before choosing a segment. Candles and *diyas* hold a different meaning during *Dipawali* in Indian culture, rather than candles just as a source of light or as a decoration piece. Valentine's Day is not seen as a part of Indian culture by some people in India, and they consider it a subversion of Indian culture by MNCs.

Language

Language is an important part of one's culture. Across the world, music and other media industries thrive on the basis of the language they use. India too, is a country with large variety of people, and equally large variety of languages. India has a large number of regional language TV channels, magazines, and newspapers. VSNL and Rediff provide vernacular email facility to internet users in India.¹³

Use-related Segmentation

In use-related segmentation, consumers are segmented on the basis of usage rate, awareness status, and brand loyalty. On the basis of *usage rate*, consumers are segmented as heavy, light, and non-users. Most marketers generally focus on heavy users, while some marketers also make money out of light users. Maggi, for example, focuses on children, who are heavy users of the product. Sometimes, non-users are also focused by giving them a reason to try out a product.

Awareness status segmentation divides consumers into segments like unaware, aware and interested, and enthusiastic. In case the product is new in the market, the marketers try to create maximum awareness. The leading white goods marketer in India, LG for example, launched its entire range of consumer products (soap, shampoo, toothpaste, detergent powder) in India, with 'Life is good' ad campaign to make consumer aware of its complete range of products.

Illustration 2.4: Awareness Status: A Videocon Hoarding Showing a Range of Products

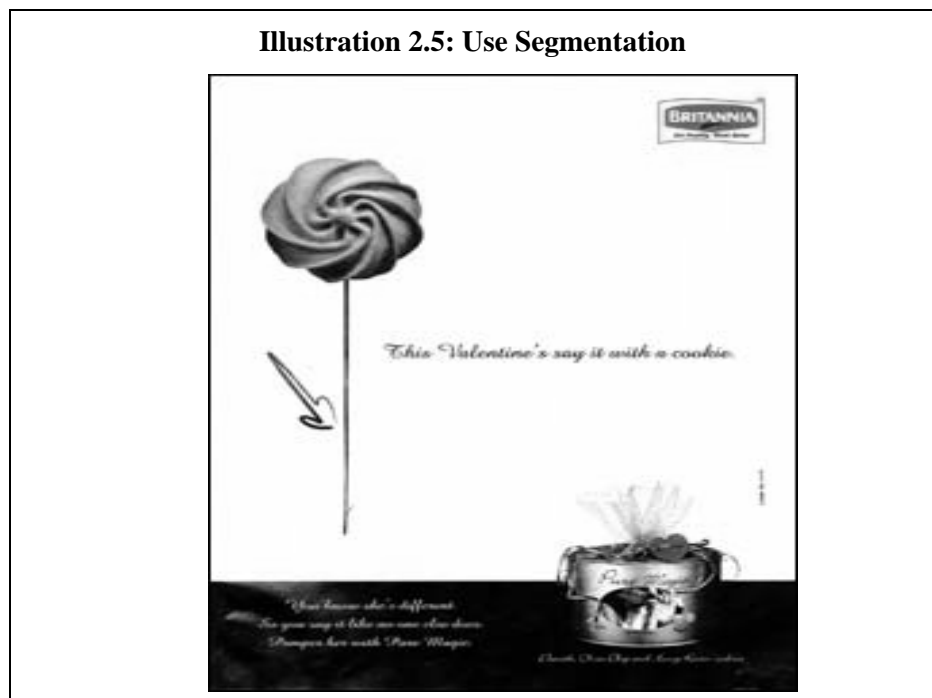


Consumer Behavior

Brand loyalty In this type of segmentation, marketers identify the characteristics of brand loyal consumers and consumers who show no brand loyalty. Many marketers offer benefits to brand loyal consumers and give them additional incentives to purchase more. This is where the concepts of consumer satisfaction and relationship marketing come into use. Airlines and hotels give rewards to frequent users, say, a free ticket for a child on the next journey. Almost all big format retailers in India have loyalty programmes in place for the frequent purchasers, like LifeStyle's Inner Circle, Westside's Club West, Shoppers Stop's First Citizen Club. But in the case of products which offer free gifts with the purchase, it is not brand loyalty which is being rewarded, but incentives being given to non-users to try, or users to purchase more. In such cases, there is always the risk that non-users may buy till the offer lasts and then switch to another brand offering some discount or scheme. Many tea consumers, for example, may get swayed by offers like free cups with Duncan's Double Diamond Tea and purchase it; some will like the brand and turn loyal, while others will switch to some other brands offering similar benefits.

Use-situation Segmentation

Consumers make different product choices at different points of time, depending on the situational factors like time of consumption, objective of purchase, location of consumption, and relationship with the person for whom the product is being purchased. Many product categories are occasion-based, i.e., they are purchased at a particular point of time and with a certain objective. Greeting cards, for example, are an occasion-based purchase. Thus, greeting card manufacturers keep adding new occasions to give reasons to people to buy a card (Boss's Day) or sometimes, even without any reason (Hello cards, Just for Fun cards). Jewellery is also occasion-based, purchased on occasions like marriage, anniversary etc. DTC (previously De Beers), for example has a *Vivaha* collection of diamond jewellery, as marriage is one occasion when most jewellery purchase happens. Watches have also been promoted by many companies as an occasion-based purchase. Titan for example has a Titan Vivaha Joda collection.



Source: www.agencyfaqs.com

Benefit Segmentation

In this kind of segmentation, marketers segment consumers on the basis of their needs. Marketers come up with products which satisfy these needs. Some examples of benefit segmentation are health and nutrition (Saffola), anytime-anywhere communication (Airtel), security (ICICI Prudential life insurance) and so on. This kind of segmentation provides effective differentiation within one product category, and thus provides marketers with better opportunities. An example is toothpaste. Close-up's tingly red and eucalyptus waves is targeted at youth (visual appeal and taste),¹⁴ Meswak is positioned as an ayurvedic toothpaste which prevent gum diseases (health benefit),¹⁵ Pepsodent and Colgate Total are positioned as toothpastes which fight germs and bad breath even hours after use (health and social benefit)¹⁶. Clove oil for example is traditionally used by Indian households for tooth problems, so the toothpaste highlighting use of clove oil, is consciously targeting people who use toothpaste and believe in the benefits of clove oil.

Hybrid Segmentation Approaches

Hybrid segmentation means combining more than one segmentation variable. Marketers usually segment consumers by combining several segmentation variables. There are mainly three hybrid segmentation approaches. They are psychographic-demographic segmentation, geodemographic segmentation, and SRI Consulting's Values and Lifestyle System (VALS).

Psychographic-demographic segmentation

This segmentation clubs psychographics with demographics. It therefore puts the demographic information to better use. This kind of multi-segmentation approach helps the marketer to draw a more accurate profile of the target consumers and is especially useful in designing the marketing mix. An Elle-18 girl, for example, may be described as young, vibrant, and urban-centric between 17-25 years, who loves to experiment. She is fashionable and social.¹⁷ Exhibit 2.2 discusses Allen Solly's entry into women's western wear and the basis of their segmentation.

Exhibit 2.2

Allen Solly's Entry Into Women's Western Wear

Most Indian women traditionally wore sarees and other ethnic wear like salwar-suits and lehengas. Though Western wear entered the country through Hindi movies in the 1950s itself, it remained limited only to teenage girls even by the early 1980s. This was so because after marriage, Indian women were generally expected to wear sarees.

As society became more liberal and the number of working women increased, there was a growing need for attire that was more 'work-friendly' than the saree. Consequently, salwar-suits, which were convenient and easy to wear, became popular among women.

By the late 1990s, Indian society showed clear trends of becoming increasingly westernized in terms of lifestyles, education and vocation, especially in urban areas. With cultural changes sweeping Indian society, many companies viewed branded women's western wear as a segment that had tremendous potential. According to a KSA-Technopak study, of the total Indian women's wear business valued at Rs. 161 billion, the readymade segment comprised 78%.

Consumer Behavior

Madura Garments (MG), the leading Indian apparel company, employed leading market research agency Indian Market Research Bureau (IMRB) to conduct a market study on the Indian work culture and the requirements of women regarding Western ready-mades. The study revealed that while Indian women loved ethnic clothes, they were not comfortable in them while working. Factors such as the increased number of women in the workplace and challenging jobs that required a lot of traveling, indicated a growing need for Western wear. The study also revealed that though Western wear was available in the market, their international styling was unsuitable for Indian women. By September 2002, MG announced the launch of Allen Solly nationwide, and by October 2002, six exclusive outlets (one each in Chennai, Hyderabad, Mumbai and Kolkata and two in Bangalore) were established. All garments were designed in line with the findings of the market research. This was the first-ever nationwide exercise by any company to offer readymade Western wear for women in India on this large a scale. The range was available in bright as well as pastel shades, giving the customer, a wide variety to mix and match from. The knitted range was priced between Rs 499 and Rs 999, woven tops were priced between Rs 599 and Rs 899, and trousers were priced between Rs 799 and Rs 1099.

The target consumer base for Allen Solly women's Western wear was identified as the self-assured, office going women in SEC A¹⁸ between 22-40 years of age, who wore Western outfits once or twice a week, and had an income of Rs 8,000 and above per month. Commenting on the decision to launch the range, Vasant Kumar, Vice-President (Marketing), Madura, said, "Our target is not women who already wear western clothes; we are pegging on converting the salwar-kameez category. If in the process, we manage to attract the former category, that is just a bonus." The company reportedly sought to attract women who gave importance to 'sophisticated professionalism' in their lives.

To support the brand, MG decided to go in for aggressive campaigning and earmarked a total investment of Rs 100 million. Of this, around Rs 60 million was allotted for advertising and the remaining Rs 40 million was allotted for background research, creative team, manufacturing and retailing. Promotional exercises for the brand began with a fashion show organized by the company, which displayed the entire range. The company made extensive use of mailers to reach targeted customers. The mailer contained an inch tape, with a message '*Every body is perfect; you have just got to dress it right.*'

Source: "Allen Solly-Entering the Indian Women's Western Wear Market," Case Study, ICFAI Center for Management Research.

Geodemographic segmentation

This kind of segmentation combines geographical and demographic variables. A supermarket chain can use this kind of segmentation to choose an accurate location, say, a geographic region with high concentration of families. Households are sometimes clustered according to their zip codes by marketers and each cluster is then defined on the basis of its demographic profile for better results.

Hyderabad Central, for example, set up by the Pantaloon Retail India Ltd. (PRIL) is a seamless mall, situated in the heart of the city, Panjagutta Circle. In the words of Mr. V. Muralidharan, who heads Central Malls, "It would be in the heart of that particular city and people in each city relate to Central as an important point of activity and belonging."¹⁹ Another major advantage of its location is the high concentration of offices, and thus, the large number of potential consumers. Panjagutta Circle has a high profile neighborhood of Banjara Hills and Jubilee Hills, with a high concentration of upper-middle and upper class families. Thus, geographical location provides a critical advantage, as far as retailing is concerned.

Illustration 2.6: The Hyderabad Central Mall, Located in the Heart of the City



SRI consulting's values and lifestyle system (VALS TM)

In the late 1970s, SRI Consulting developed a typology to segment the American population based on values and lifestyle known as Values and Lifestyle System (VALS). Although originally it was intended to explain the change in American society, it was later applied to marketing. It broadly classifies consumers on the basis of two parameters – resources (physical, financial, psychological, and demographic) and self-orientation (attitude, personality, and lifestyle). The categories developed by SRI Consulting²⁰ are:

- **Strugglers:** These consumers have low monetary resources. As a result, their purchase decisions are highly influenced by discounts. Due to their limited resources, they experiment less and thus, stick with one tested brand. They watch TV very often and trust advertising for making consumption decisions. They are also big purchasers of tabloids and women magazines.
- **Makers:** These consumers have limited resources and are largely driven by value and durability. They are generally readers of action or activity-oriented magazines like Auto and Home Mechanics, and prefer radio to TV.
- **Strivers:** These consumers, like 'Makers', have limited resources but they are status-oriented and thus, make a number of purchases on credit. They are big spenders on clothing and personal grooming products and prefer watching TV to reading magazines.
- **Believers:** These consumers usually are on the look out for bargains and buy only indigenous products. They are principle-oriented and thus, don't change their habits easily. They prefer reading to watching TV and their kind of magazines are the ones related to retirement, home, and garden, and other general-interest magazines.

Consumer Behavior

- **Experiencers:** These action-oriented consumers are followers of the latest trends in fashion and music, and spend a lot on socializing. They are primarily impulse purchasers and actively use advertisements as an important information source in decision making.
- **Achievers:** These consumers are status-oriented and get easily attracted to premium products. They are usually targeted by marketers for a variety of high-end products due to their status-oriented approach to life. They are average TV watchers and prefer business, news, and self-help publications.
- **Fulfilleds:** These consumers are principle-oriented and generally don't get influenced by image or prestige issues. They prefer to buy relevant products, usually for the home. On TV, they prefer educational and public affairs programmes. They are also avid readers.
- **Actualizers:** These consumers have the most resources and thus, make use of it to buy all the 'good things' in life. They are venturesome and like to try new products. They are thus, receptive to new products and ideas. They are active readers of a wide variety of publications. They usually watch very little TV and don't trust advertisements.

CRITERIA FOR EFFECTIVE TARGETING OF MARKET SEGMENTS

We have seen in the previous section the different bases of market segmentation. After segmenting the market, the next task for marketers is to select one or more segments that can be targeted²¹. The major criteria which help marketers choose their target market are given below.

Measurable: Marketers can segment consumers on the basis of some common variables. But care should be taken that the segment is easily identifiable and measurable in terms of population size, ability to pay and characteristics. Segmentation on the basis of psychological factors like personality, motivation, learning, and attitude, for example, might be somewhat difficult to identify and measure. If a marketer cannot measure the total value of the target market, the proposition of entering the market may be a big strategic risk.

Substantial: Marketers should enter a segment which has a substantial number of potential buyers. Marketing efforts involve huge financial investments and if the chosen segment is too small and consumers too fickle, it might drain the company's resources to keep the consumer satisfied.

Accessible: Marketers generally prefer segments which are accessible, i.e., easy to reach or enter. Rural market in India, for example, has been hotly pursued by many marketers, given the huge potential consumer size. But it is a highly fragmented market and reaching that market requires financial strength, huge distribution network, and patience.

Differentiable: The segments should be such that they are distinguishable, and react differently to the same stimuli. Segmentation should help marketers separate differentiable groups of consumers.

MARKET SEGMENTATION STRATEGIES

After segmentation, marketing strategies are formulated. Choosing the right marketing strategy is critical for the survival of any organization. An organization can choose one segment (one or multiple products) or multiple segments (one or multiple products).

Concentration Strategy

In case a marketer chooses to target a single segment, it is called a concentration strategy. This kind of strategy has high risk but it can bring benefits due to economies of scale from using only one marketing mix. An example is Volkswagen, which concentrates only on the small car segment.

Selective Segmentation Strategy

Marketers can also pursue slightly unrelated but commercially promising segments which diversify the firm's risk. A separate marketing mix is formulated for each segment. An example is Living Media India Ltd., which is in magazine business (India Today and Business Today), news channel (Aaj Tak), music (Music Today), art (Art Today), books (Book Club), etc.

Product Specialization Strategy

In a product specialization strategy, the firm may choose to specialize in one product only and sell it to various segments. An example is Nokia, which is a mobile-phone marketer, and caters to a large variety of segments.

Market Specialization Strategy

In a market specialization strategy, the marketer focuses on one consumer segment and serves all its needs. Although the products are different, only a single segment is being catered to. A university can be cited as an example of market specialization with all the different products (courses) targeted at one segment (students).

Full Market Coverage

Big marketers have the resources to cater to the full market. The two strategies which can be adopted for this purpose are – differentiated marketing strategy and undifferentiated marketing strategy. Marketers generally formulate a *differentiated marketing strategy* for each segment (separate marketing mix for each segment). An example is Coca-Cola's full range of products: Kinley (bottled mineral water); Georgia (hot and cold coffee and flavored tea); Sprite (colorless carbonated cold drink), Thums up, Vanilla Coke and Coke (carbonated black cold drink); Limca (carbonated lemon cold drink), Fanta (carbonated orange cold drink); Mazaa (Mango drink); and Kinley club soda.²²

Some marketers prefer to follow an *undifferentiated marketing strategy* (targeting multiple segments with one marketing mix). This method is profitable if resources are used more efficiently. It is a mass marketing approach where the whole market is treated as a single market. For most basic necessities, an undifferentiated marketing strategy is adopted.

Illustration 2.7: Coca-Cola's Range of Products



Source: www.coca-colaindia.com

Counter-segmentation Strategy

Segmentation is used to divide the markets into homogeneous parts. But sometimes, marketers may feel that there is no significant difference in many segments they operate in, or that the division has blurred with time and change in consumer demographics. In such a case, marketers usually follow a *counter segmentation strategy*, i.e., club all the segments together and formulate a common marketing mix. The need for such a strategy might also arise in case the marketers initially had divided the potential consumers in too many micro segments which led to a diffused focus and drain on resources with lower returns. A marketer of personal care products, for example, finds that people are generally not buying shampoos on the basis of hair types and its products in many segments like shiny, curly, silky etc. are not selling well. As most people are buying shampoos on the basis of just cleanliness and bounce, the marketer might consider a counter segmentation strategy and come out of unnecessary niches.

SUMMARY

Market segmentation is the process of dividing the market on the basis of certain major factors - geography, demography, psychology, psychographics, socio-culture factor, use-related factor, use-situation factor, and benefits, or on multiple factors like psychographic-demographic segmentation, geodemographic segmentation, and SRI Consulting's VALS.

Geographic segmentation involves segmenting consumers on the basis of region, climate, size of city, and density of population. Demographic segmentation involves segmenting consumers on the basis of demographic variables like age, sex, marital status, education, occupation, and income. Psychological segmentation involves segmenting the market on the basis of psychological variables like motivation, personality, attitude, perception, and learning. Psychographic segmentation divides consumers on the basis of difference in lifestyle, attitude, interest, and opinions. Socio-cultural segmentation divides consumers on the basis of culture, sub-culture, cross-culture, religion, social class, and family life cycle. Use-related segmentation divides consumers on the basis of usage rate, awareness status, and brand loyalty. Use-situation segmentation involves segmenting consumers on the basis of time, objective, location, and person. Benefit segmentation segments consumers on the basis of the benefit they seek like prestige, confidence, health, nutrition etc.

Multi-segmentation involves combining segmentation various variables to effective segmentation. Some popular multi-segmentation tools are psychographic-demographic segmentation, geodemographic segmentation, and SRI Consulting's Values and Lifestyle System (VALS).

Segmentation yields positive results only if the right segment is chosen. While choosing a target segment care should be taken that the segment is measurable (quantifiable in terms of market size), substantial (commercially viable), accessible (easy to reach and address to), and differentiable (different in some way from the other segments).

After selecting the relevant segment(s), the marketer has to formulate a marketing mix. The marketers may choose to cater to a single segment or multiple segments, with single or multiple products – single product-single segment strategy (concentration strategy); single product-multiple segments (product specialization strategy); single segment-multiple products (market specialization strategy); and multiple products-multiple segments (selective segmentation strategy). Big marketers, at times, may also employ a full market coverage strategy, which may further be differentiated (different marketing mix for different products) or undifferentiated (single marketing mix for all products). Sometimes marketers adopt too many micro segments, which later become redundant. In such a case, all segments are clubbed together with a single marketing mix (counter segmentation).

End Notes:

¹ <http://www.hll.com/HLL/knownus/ourbrands.html>

² Balasubramanyam, Sonya. "Pantaloen Plans to Sport a More Youthful Look." The Economic Times, 4th Jun. 2004.

³ Prayag, Anjali. "MNCs bow to desi culture," The Hindu Businessline. 8th Jun. 2002.

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- ⁴ “BBC’s Broader View”. The Hindu Businessline, Catalyst. 13th Feb. 2003.
- ⁵ ORG Marg is a market research company focusing on Indian and South Asian markets. It is a part of the AC Nielsen network of market research companies.
- ⁶ The IRS survey is conducted jointly by the market research agency ORG-Marg and the Media Research Users' Council (MRUC).
- ⁷ The Market Research Society of India (MRSI) does Socio-Economic Classifications (SEC). MRSI identified eight SECs by grouping households on the basis of education level and the occupation of the chief earning member. The eight categories are labeled as A1, A2, B1, B2, C, D, E1, and E2. A1 denotes the upper-most SEC, and E2 stands for the lowest SEC. The groups SEC A and SEC B represent educated urban consumers, making up 5.88 million households in sixteen cities. More than 75% of SEC A and B homes are in eight cities of India, and receive the greatest attention in respect of trendy and lifestyle products.
- ⁸ “BBC’s Broader View”. The Hindu Business Line, Catalyst. 13th Feb. 2003.
- ⁹ Sen, Shunu. “Not all young & beautiful.” The Hindu Businessline. 6th Jun. 2002.
- ¹⁰ John, Sangeeta. “The Metrosexual Man,” The Week. Nov. 16, 2003, p36.
- ¹¹ Solomon, Michael R. “Consumer Behavior: Buying, Having, and Being.” 6th ed. 2004, p204.
- ¹² John, Sangeeta. “The Metrosexual Man.” The Week. 16th Nov. 2003, p36.
- ¹³ “VSNL, Mithi tie up for vernacular mail service.” The Hindu Businessline. 30th Jan. 2002.
- ¹⁴ <http://www.hll.com/HLL/knownus/ourbrands.html>.
- ¹⁵ http://www.balsara.com/prod_meswak.asp.
- ¹⁶ <http://www.colgate.co.in/ourproducts/oralcare/index.shtm>.
- ¹⁷ Bhushan, Ratna. “The good times begin.” The Hindu Businessline. 13th Feb. 2003.
Kumar, S. Ramesh. “Addressing the irrational.” The Hindu Businessline. 24th Jun. 2004.
- ¹⁸ Socio-Economic Classifications (SEC) categorize urban Indian households into five segments, SEC A, SEC B, SEC C, SEC D and SEC E, on the basis of education, occupation and chief wage earner’s profile. A and B are high SEC classes, SEC C falls in the middle, SEC class and SEC D and E are low SEC classes.
- ¹⁹ “Pantaloon to set up seamless mall in Bangalore.” The Hindu Businessline. 18th Jun. 2004.
- ²⁰ Schiffman, Leon G. & Kanuk, Leslie L. “Consumer Behavior,” 7th ed. Prentice Hall India. p55.
- ²¹ Kotler, Philip. “Marketing Management.” 10th ed. Prentice Hall, p274-76.
- ²² <http://www.coca-colaindia.com/brands/brands.html>.

Part II

Consumer as an Individual

Chapter 3

Motivation

In this chapter we will discuss:

- Definition of Motivation
- Motives
- Classification of Motives
- Theories of Motivation
- Motivational Theory and Marketing Strategies
- Involvement
- Techniques of Motivational Research

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Early in the morning you go to the milk booth and the attendant asks your choice of milk - full cream, toned, double toned, skimmed; you go to a nearby store to buy a shampoo, here too, you face a similar experience, and this is true in case of most of the products that we come across in our daily lives. We are quite often surprised to see so many different varieties of products available in the market, from shampoos (conditioner, anti-dandruff, herbal, curl-control and so on), toothpastes (herbal, whitening, gel and so on), face creams, hair oils, chocolates, apparels, automobiles, watches, shoes the list is unending. And we often wonder why marketers produce so many different versions of their products. The answer to this lies in the fact that marketers have come a long way from the age old (production concept era to present day's relationship marketing, where they try to customize their offerings according to the individual needs of their customers. Today a marketer tries to find out what drives his customers' behavior, what makes them behave the way they do or how they perceive different products available in the market. Marketing in the present day is all about knowing the consumer's specific needs and requirements, and producing goods or services accordingly. In today's cut-throat competition in the market, if a business wants to survive and succeed, securing customer satisfaction is the mantra.

However, it is difficult to know what satisfies a customer. No two persons are alike - the tastes, preferences and perceptions all differ from one person to another. What satisfies one may not satisfy the other even under similar conditions. For instance two employees in an organization with a similar designation, and with similar incomes may still opt for different products and services - one may be driving a Hyundai Santro (petrol version) using a Reliance Mobile phone and subscribing to an LIC insurance policy and investing his money in the share market, while the other may be owning a Maruti Zen (diesel version) using a Tata Indicom, and having an Allianz Bajaj life insurance policy and investing in mutual funds. This shows that people in a very similar situation may still act or behave differently. Every person is driven to satisfy a specific need in a different way, resulting in variation in the consumption of goods and services, from individual to individual. Thus, in order to satisfy the consumers, a marketer has to know the exact needs of the consumers in order to satisfy them.

It is therefore very important for marketers to understand what motivates the consumers to purchase a particular product or service and their behavior towards those products. A consumer's motivation towards a product is determined by the satisfaction or dissatisfaction the product provides in relation to the consumer's needs. In this chapter we will discuss motivation and the process involved, the dynamic nature of motivation, types of motives, motive arousal, classification of motives, theories of motivation, and marketing strategies including a discussion on motivation research.

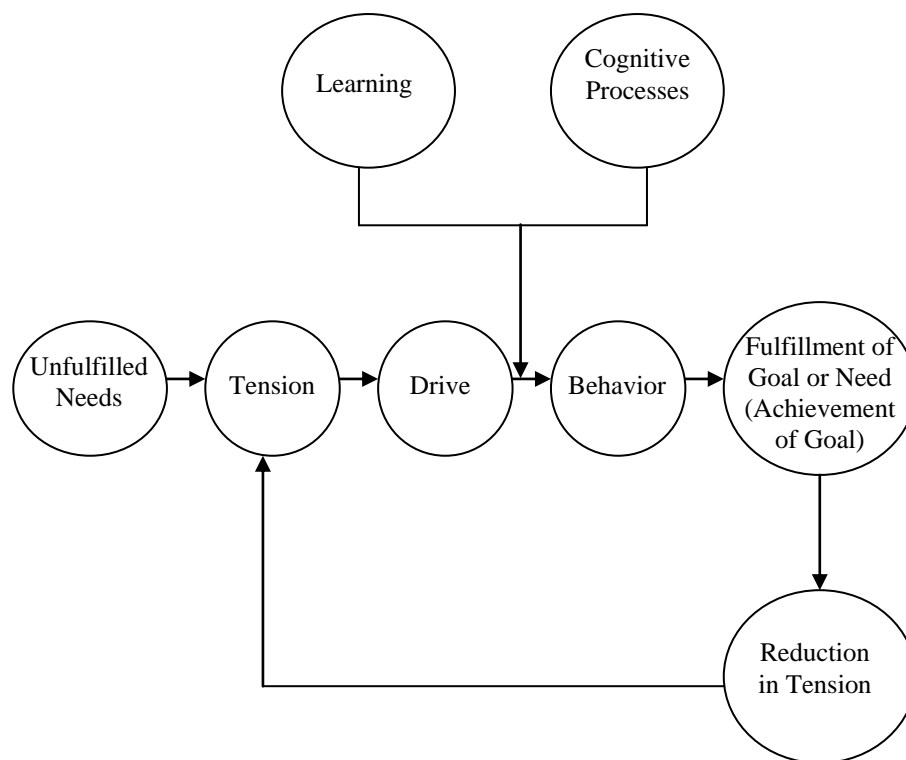
DEFINITION OF MOTIVATION

Motivation is defined as "the stimulation of any emotion or desire operating upon one's will and prompting or driving it to action". Motivation is thus the driving force behind an individual's action. Motivation refers to all the processes that initiate the drive in a person to perceive a need and pursue a course of action to fulfill that need¹. For example, an athlete with the ambition to surpass the world record in, say, javelin throw, identifies the distance that he has to cover in order to beat the world record and then works and undergoes training to achieve that distance. He persistently practices till that day in the competition when he has to perform. Thus, the drive to surpass the world record drove him to identify the target, it enabled him to make and sustain efforts to reach that goal and he continued his endeavors in order to achieve that target.

The Process of Motivation

The process of motivation starts when the consumer comes across an unfulfilled need - this need if not satisfied will create a state of tension within the consumer. This state drives the consumer to adopt behavior that will help relieve the tension. The efforts and the behavior of people to achieve a goal that reduces such tension are influenced by their knowledge or learning and their way of thinking (i.e. cognitive processes). Consider the example given above, where the athlete experiences the need to surpass the world record; this need causes tension within him. Hence, the athlete identifies a goal to be achieved to eliminate the tension and makes efforts to reach it. How he sets the goal and directs his behavior to achieve it will depend on his experience and attitude. (Figure 3.1 depicts the process of motivation).

Figure 3.1: The Process of Motivation



Adapted from Leon G. Schiffman and Leslie Lazar Kanuk, "Consumer Behavior" (Prentice-Hall India, 6th edition, 1997).

Meaning of needs, wants, and goals

Needs are innate feelings of deprivation in a person. Wants result due to needs. For instance, when a person feels hungry he needs food, however depending on his tastes and habits he will want to have either rice or *chapatti* or hamburger or a pizza or some other type of food. Hence, hunger generated a "need", which further resulted in the "want".

Goals are the objectives that are desired. They are the target of all motivational efforts. There are two types of goals - Generic goals and Product-specific goals.

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Generic goals

They refer to the set of general, common goals that people choose to satisfy their needs. For example, a need for a cool drink or the need to cover oneself from the hot sun are some of the common needs faced by people.

Product specific goals

When people identify definite products or services to satisfy their generic goals, they are said to pursue product specific goals. For example, a person faced with the generic goal of buying a cool drink on a hot summer day, is said to be pursuing a product specific goal, if he decides to choose Coke over Pepsi. It is important for the marketers to understand how these goals affect the consumption patterns in order to serve customers accordingly. Needs are also sometimes called “motives”.

Dynamic Nature of Motivation

Needs, which determine a person's motivation, change constantly. They alter according to change in external environment and it is possible that the same person will have different needs at different times. Also, needs and wants are never completely satisfied - no sooner is one need satisfied, than another one arises. An individual, thus constantly tries to achieve one goal (based upon the specific need), after another. However one cannot achieve all goals². For example, a student in spite of studying very hard to get an A grade in mathematics gets only a B grade, because he does not finish the exam within the stipulated time. Thus, in spite of knowing how to solve the mathematical problems, he could not achieve an A grade because of his inability to solve them faster. Thus, a person may be unable to satisfy all his goals because of his personal (talent, capabilities) financial, social and cultural limitations.

In the above example the student's inability to secure an A grade in mathematics, could make him disappointed and may lead to frustration. In such situations some people try to deal with the failure by formulating substitute or related goals, here it could be securing an A grade in the rest of the subjects. This is called adapting to the situation. Another student may react to the situation by adopting defense mechanisms such as aggression (they get angry), rationalization (they try to find excuses to justify their failure or alternatively find reasons to term the goal as an unreasonable one). Others may act childishly and immaturely. In the above example the student might decide not to study mathematics again - this behavior is called regression; or he might just disassociate himself from the goal and refuse to think about it - this behavior is called withdrawal.

MOTIVES

A motive is defined as “the inner state that energizes, activates, or moves and directs or channels behavior toward goals³.”

Types of Motives

Some needs or motives are innate - such as the need for air, food, water, shelter, clothing (primary needs). As they are related to our biological needs they are called biogenic or physiological needs. Those needs that we acquire through our experiences or we learn from our environment such as the need for self esteem, power, affiliation, prestige, etc. are called psychogenic needs. They are considered to be psychological needs or secondary needs. For example we all buy clothes (it's one of our primary needs), however the type of clothes we buy like designer wear, traditional or western clothes and their price range, etc. depends on our psychological needs.

Utilitarian and hedonic motives

When a customer makes a purchase decision, based on the functional or tangible features of the product, such as quality, service and price, he is said to be objective in his judgment. A customer will evaluate all the available alternatives and finally choose the product that gives him or her maximum utility. Here, the customer is said to be making a utilitarian purchase or is being driven by rational motives.

On the other hand, purchases are said to be made subjectively, when the emotional attributes that consumers associate or attach to a good, influence their consumption pattern. When consumer lets the aesthetic value such as, beauty, pleasure, derived from the product rather than its functional features affect his or her purchasing, the consumer is said to be driven by hedonic motives. For example one might buy an antique chandelier for its beauty rather than its value.

Motives could also be positive or negative, depending on whether they motivate people to achieve a desirable target, or help them avoid what they consider undesirable, respectively. When a consumer perceives a product or action to be desirable, he or she is positively motivated to achieve it and directs all efforts towards achieving it. For example one person might join a cookery course to learn new and better ways of cooking which help the person prepare wholesome and tasty meals for the family. In this case the person is driven by positive motives. On the other hand a person who has joined the class to learn cooking, to avoid the expense and unhealthiness of eating at the hotel is said to be driven by a negative motive (of avoiding outside food). Thus, positive motives attract the consumer towards the product to achieve a desirable outcome and negative motives attract the consumer towards a product, to help him or her avoid an undesirable outcome. On the basis of the motives the goal that a consumer pursues can also be viewed as positive or negative. For example a consumer might use a perfume for a positive goal such as the pleasant scent the perfume gives. On the other hand a consumer might use products such as mouthwash, deodorants with the aim of avoiding embarrassment (a negative goal).

Conscious and unconscious motives

When a person is aware of the motives they are called conscious or manifest motives. For instance if a person is asked to tell why he likes to play golf; he might immediately answer that he plays it because it is a good sport and it is interesting. These are called as manifest motives. But the same person may not be aware that he likes to play golf, for reasons like status, or because it projects him as a young, upscale executive. Hence, the second set of motives also influences the person's need to play golf, but they are not obvious or known to everyone. In fact, as in the above example the person himself is not conscious about them, these are called as unconscious or latent motives. However, it may also be possible that the person did not wish to acknowledge such motives even though he is aware of them. Thus consumers can have both manifest motives and latent motives which influence their consumption of a product. It is also evident that the marketers must try to satisfy both types of motives through their products and services. Hence if the marketer is making a durable watch to satisfy the obvious need for quality (manifest motive), he might also focus on making it very stylish to serve the latent motives of the consumers.

Role of Motives in Influencing Behavior

Motives or needs initiate the process of motivation and along the course of this process, motives also act as catalyst in shaping the person's behavior. Every individual is guided by his or her motives, for example, we all work to live happily and comfortably. Similarly, a student studies hard to get good grades, and an athlete undergoes rigorous training to succeed in a competition. In the same manner the

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motives of a person will influence his or her behavior in the purchase and consumption of goods. For example, a person, who goes to an electronics goods shop to buy a music system, might find that there are three basic types of music systems available. The three audio systems being 1) Hi-Fi Audio system, 2) Mini-Audio system and 3) Portable audio system. How the person chooses between these three audio systems and makes the purchase is guided by the motives he or she wishes to satisfy.

The type of music system the person chooses will depend on his or her preferences, which are shaped by the person's specific motives. For instance the person might choose a Hi-Fi music system if he is a great music lover and needs an audio system with advanced features like surround sound and remote controlled operations that will enable him to enjoy the same quality of music as in a theatre. On the other hand, a person who is satisfied with a reasonable audio output and is looking for a moderately priced audio system, that can be carried along while traveling or on a picnic, might opt for the portable audio system. Thus, in the first case, the person's choice was driven by his motive for excellent quality of sound and the motive of a portable audio system influenced the second choice. Thus, motives give rise to preferences and we are able to distinguish between products of the same brand and of different brands on the basis of our motives, and decide which products to buy.

The consumer is guided by his needs or motives in his purchase decisions as has been discussed above. These motives which play the role of a catalyst in the person's behavior are aroused or stimulated in the following ways.

Physiological arousal

When a consumer becomes aware of his needs, due to changes in his physiological state, it will give rise to physiological motives. For example the sudden decrease in the sugar level in blood will give rise to hunger and the person will want to have some food of his choice to fulfill his need. This may also motivate the person to keep a stock of ready-to-eat food at home.

Emotional arousal

At times the mundane nature of routine life leads a person to fantasize or day dream, and this stimulates his or her latent needs. For example a young executive, might get really tired of his work, because he finds it monotonous. If such a person were to imagine that another profession, such as modeling is more lucrative and glamorous he may imagine himself as a model, earning a lot of money and living an exciting life. He may therefore enroll himself for a modeling school. Thus, a person is guided by his emotions to identify and pursue the related goals.

Cognitive arousal

Cognitive arousal of motives occurs when we come across some information incidentally and this triggers our thought processes and arouses a need in us. For example, a signboard with statistics of road accidents that we happen to see on our way to office makes us think about insurance.

Environmental arousal

The various signals that we come across in our environment in the form of the sights, smell and sounds surrounding us, also prompt many needs. For example, the sight of an exquisite dressed mannequin, in a shop may trigger the need for such apparel. The smell of coffee beans may signal a need for the beverage. Seeing the product itself will stimulate a need for it sometimes, one may feel the need for a DVD player when one sees a new DVD player purchased by a neighbor.

Illustration 3.1: Environmental Arousal

The above motives also initiate and guide a person's behavior when making purchases. Marketers have to keep in mind the various motives that a consumer is trying to satisfy when buying a product. When the marketer knows the reason behind the consumer's need for a specific product, he or she can develop a product with the appropriate features. For example, HLL introduced a new variant under its existing Knorr brand of soup in 2003, which is called 'Soupy Snax'. Soupy Snax (a soup powder) was introduced in small packs priced at rupees five and is targetted at snack lovers. HLL positioned it as a 'snack in between meals', rather than selling it as an appetizer⁴. Similarly, many companies dealing in electronic goods like TVs and refrigerators asserted their technical superiority. LG a leading manufacturer of electronic goods introduced its refrigerators (in 2001) with front door cooling system that ensured that the food stayed fresh for a long time. LG had this technology patented for 15 years. It further introduced its range of TVs (in 2002) with Golden Eye technology which LG claimed did not strain the eye. LG stressed that its technology not only provided better service, but was also better for the consumer's health⁵.

CLASSIFICATION OF MOTIVES

Over the years, psychologists who study human behavior have tried to explain the role that a person's motives play in influencing his or her behavior. The psychologists can be split into two groups with differing views - some believed that human behavior was the result of a person's reaction to the various stimuli he receives (behavioral motives). They studied the behavioral aspects of individuals. Their view helps us understand the person's behavior in market situation, for example a consumer might be tempted to buy ice cream after seeing a colorful advertisement of the same. The second section of psychologists believed that behavior was a result of the individual's experience and learning (cognitive motives). They were of the opinion that each person developed certain goals based upon their past experiences and they would then work to achieve them and hence they argued that a person as a consumer did not react to stimuli alone, rather he or she made purchases according predetermined goals.

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Psychologists have tried to list all the human motives and needs. Let us examine the different lists of motives given by the two psychologists, William J. McGuire and Henry Murray.

Motives Identified by McGuire

William J. McGuire professor of psychology classified human motives under the following headings. McGuire first identified two types of motives which were 1) Cognitive motives and 2) Affective motives. The cognitive motives referred to a person's need to mould himself and be in tune with his environment. For example a fresh MBA graduate, who joins as a management trainee in an organization, may want to meet the expectations of the management by performing well and trying to adapt to new environment. On the other hand, the affective motives referred to the individual's motives to achieve a mental and emotional state of satisfaction. For example the same person mentioned above might feel emotionally satisfied when he thinks that he is in a job that matches his or her aptitude or when he feels that the job is interesting enough for him to put in his best efforts.

Next, McGuire further divided the above two categories of motives on the basis of the nature of the goals that a person wished to achieve. The two goals identified by McGuire were 1) preservative goal and 2) growth oriented goal. For example, the MBA graduate above might wish to succeed in his job (which is a cognitive motive), as he does not wish to be called a failure by his peers - this is called a preservative goal. On the other hand he might wish to do well in his job and achieve his dream of being a successful manager; this is called a growth oriented goal. Dividing the cognitive and affective motives on the basis of these two criteria, we get 4 types of motives which are 1) cognitive preservative motives, 2) cognitive growth motives, 3) affective preservative motives and 4) affective growth motives.

Finally, McGuire divided the above four types of motives on the basis of two pairs of criteria, which were 1) the origin of such motives (it could be involuntary and voluntary) and 2) the final outcome that is sought by the person pursuing a motive (it could be internal or external). The first criterion refers to the nature of a person's motives. If the motives are initiated within the person they are known as involuntary or active motives and when they are stimulated by the external environment they are known as voluntary or passive motives.

The second criterion refers to the change that the person wishes to achieve by satisfying a motive. This change could be within the person or between the person and the environment. In the above example, if the management trainee wants to be a successful manager as he believes this will add to his self confidence, he is said to be pursuing internal motive. On other hand if he pursues the same goal of becoming a successful manager, in order to assert his capability to his peers and to let the management consider him to be competent for future assignments, he is said to be pursuing external motives. An internal motive helps the person to change an attribute within him, which in this case, was his level of confidence. On the other hand, an attempt to change the way others view him is referred to as the external motive.

When the four types of motives are further divided on the basis of the above two pairs of criteria, we get the 16 types of motives listed by McGuire. (Table 3.1 illustrates how these 16 types of motives are arrived at). McGuire states that studying the effect of each of these motives gives a partial view of a person's behavior⁶. However, the marketer tries to understand the influence of these motives on the consumption behavior.

Table 3.1: A Comprehensive Classification of Major Motive Influences

		Active (Self-initiated)		Passive (Reactive tendency)	
		Internal	External	Internal	External
Cognitive (Mental Deliberation)	Preserv -ation Growth	1. Consistency	2. Attribution	3. Categorization	4. Objectification
		5. Autonomy	6. Exploration	7. Matching	8. Utilitarian
Affective (Emotional Reaction)	Preserv -ation Growth	9. Tension Reduction	10. Expressive	11. Ego-defensive	12. Reinforcement
		13. Assertion	14. Affiliation	15. Identification	16. Modeling

Adapted from William J. McGuire, "Some Internal Psychological Factors Influencing Consumer Choice", Journal of Consumer Research, March 1976.

Motives identified by Henry Murray

In 1938, Prof Henry Murray, a psychologist, developed a list of human motives. According to him these motives influenced a person's behavior and most of these motives operate at an unconscious level. In other words a person was not aware that he or she was being influenced by such motives. (Table 3.2 gives the list of 27 human needs developed by Murray).⁷

Table 3.2: Murray's List of Psychogenic Needs
Needs Associated with Intimate Objects
Acquisition
Conservancy
Order
Retention
Construction
Needs That Reflect Ambition, Power, Accomplishments, and Prestige
Superiority
Achievement
Recognition
Exhibition
Inviolacy (inviolable attitude)
Inavoidance (to avoid shame, failure, humiliation, ridicule)
Dependence (defensive attitude)
Counteraction (counteractive attitude)
Needs Concerned with Human Power
Dominance
Respect and honor
Similance (Suggestible attitude)
Freedom

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Contrariance (to act differently from others)
Sado-Masochistic Needs
Aggression
Abasement
Needs Concerned with Affection between people
Affiliation
Rejection
Nurturance (to nourish aid, or protect the helpless)
Succorance (to seek aid, protection, or sympathy)
Play
Needs Concerned with Social Intercourse (the Needs to Ask and Tell)
Cognizance (inquiring attitude)
Exposition (exposition attitude)

Adapted from Henry A. Murray, "Types of Human Needs", David C. McClelland, Studies in Motivation.

According to Murray, these motives not only influence the behavior of a person but also gave an insight into his personality. The intensity with which a person experiences any of these motives distinguishes his personality from the other. Based on this intensity, people prioritize the motives according to their importance. Murray referred to the external factors that influence these motives as 'the press'. A Domino's advertisement for pizza might act as a 'press' for the desire to eat pizza. In the same way a child who is always confined (at home or in a hostel) may have a greater desire for freedom. Murray observed that many of these motives were unconscious and they influenced a person's behavior without his or her knowledge. He believed that these motives helped understand the personality of an individual. Based on this belief, Murray developed the Thematic Apperception Test (TAT). TAT is a personality test that helps find out the inherent needs that motivates a person's behavior and determines his or her personality. In this method a person is shown a series of cards, each card has a picture either in black or white or gray colors. The person is then asked to frame a story based on them. The story is carefully examined to understand the unconscious motives of the person and thus helps in assessing the person's personality.

Out of the 27 needs given by Murray, the need for achievement, need for acquisition and the need for recognition were found to be very prominent in their influence on human behavior⁸. These needs will be dealt with in greater detail in the later part of the chapter.

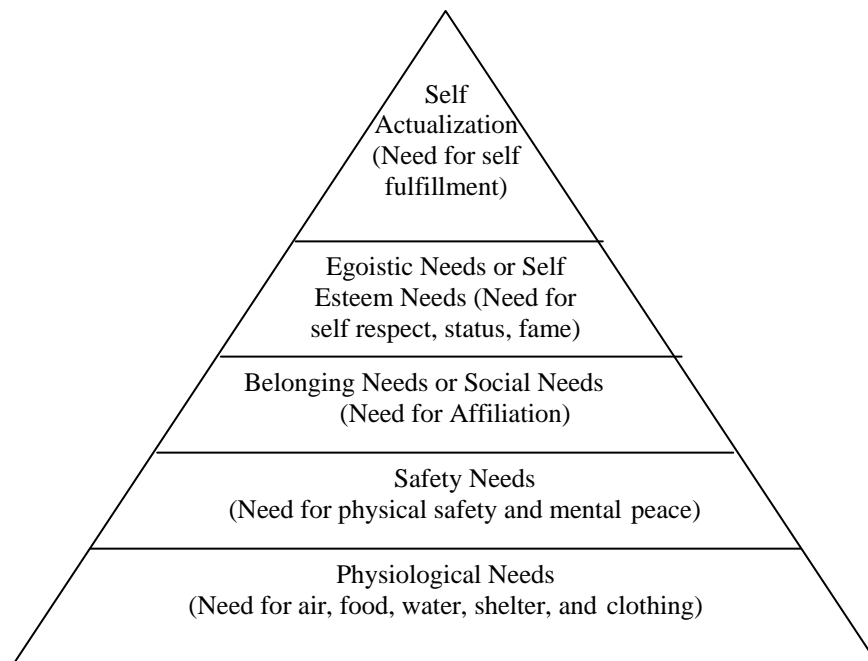
THEORIES OF MOTIVATION

In theories of motivation, we will be discussing the two theories 1) Maslow's Theory of Need Hierarchy and 2) the Trio of Needs.

Maslow's Theory of Need Hierarchy

Abraham H. Maslow, a psychologist, presented his theory of human needs in 1943. It is called as 'Maslow's Need-hierarchy theory'. Maslow had studied anthropology and closely followed the Gestalt approach on cognitive theories of human behavior. Gestalt study states that people understand stimuli or process data by viewing it along with the environment or background in which it is presented (as a whole) rather than distinguishing it from the environment. Gestalt study of human personality helps us understand how people interpret the things around them and how this influences their behavior. Maslow felt that apart from the obvious influences of behavior and learning, there was something more important and fundamental that motivated people or influenced their actions. He listed some common human needs, and further classified them into a hierarchy of five levels⁹. Maslow stated that people in general would try to satisfy their needs in an ascending manner, starting from the lowest level of needs. Let us examine each of these levels. (Refer Figure 3.2).

Figure 3.2: Maslow's Hierarchy of Needs



Adapted from Leon Schiffman and Leslie Kanuk "Consumer Behavior", Prentice Hall India, Sixth Edition, 1998.

Physiological needs

These needs are at the first level. They refer to the primary or physiological needs of a person, such as need for air, food, water, shelter, and clothing.

Safety needs

Once the above needs are satisfied, a person wishes to satisfy his safety needs – all elements that contribute to a stable, safe and protected life. An individual not only needs physical protection but also mental peace and stability. Safety needs refer to such needs of security and steadiness that people desire in life such as regular income, a permanent shelter, etc.

Illustration 3.2: Safety Need



Social needs

These relate to the need for affiliation of a person. When the safety needs are satisfied, the person craves to meet his/her social needs. The need for love, affection, acceptance by the group and need to maintaining good social relationships are some of the social needs of people, in general. Thus, many of us feel the need to be accepted by society, and to spend time with other people (either at the work place or at home).

Egoistic needs or self esteem needs

After satisfying the social needs a person desires to satisfy his egoistic or self esteem needs. Maintenance of status, self respect, acquiring wealth and fame in the society and other such needs come under this category.

Maslow termed the physiological needs, safety needs, social needs and self esteem needs as deficiency needs - as these needs stop motivating the person once they are fulfilled. They motivate people to take action only when they are unmet or not fully met¹⁰.

Self actualization needs

These refer to the need for self fulfillment or development of one's potential. For example a person who wishes to be a singer, would try to put in his or her best effort to master the art. The same person might want to learn different types of music such as classical, folk and even western music, and the person might also aspire to sing in several languages. In short, he or she aspires to be a proficient and versatile singer; Maslow refers to these needs as growth needs. People are thus, motivated by the desire to perform to the best of their ability and strive to enrich themselves at the same time. Maslow called such people who pursued these needs as 'self actualizers'.

Maslow's need hierarchy theory is universally applicable. He states that all people have a common set of goals, and then they prioritize and go about satisfying the most vital or basic needs first and then move up to the next level of needs. He further stated

that this tendency of people to arrange the needs and then proceed to satisfy them gives an insight into what motivates people and helps in understanding their behavior. This insight is useful for marketers who wish to know the behavior of the consumer.

Thus, Maslow's theory helps marketers in understanding which level of needs a consumer is trying to fulfill so that he can accordingly develop such goods or service that appeal to the consumer. For instance, health related goods such as medicines (paracetamol) or multivitamin tablets are becoming a part of our basic needs (earlier they were used only on prescription). More and more people are opting for health insurance, investment in retirement schemes or insurance against fire, burglary and accident; investment in these schemes reflects the person's need for safety.

Self esteem or egoistic needs are satisfied by increase in expenditure on product such as jewelry, cars, etc. Jewelry is not purchased only during festivals or for a wedding, but it is being bought to reward oneself. For example a young woman may reward herself with a Tanishq pair of earrings on getting a promotion.

Trio of Needs

Maslow's Theory of Need Hierarchy gives an explanation of how a person perceives needs differently according to their intensity and tries to satisfy them, one after another. However, it is argued that people will not always follow an order in satisfying their needs or go by levels in satisfying their needs, for instance a painter may try to realize his artistic potential by painting his best portrait which is a self-actualization need, while at the same time he may still be trying to satisfy his basic physiological needs of food, clothing and shelter.

Some psychologists have tried to explain three sets of needs called the 'Trio of needs', which can be correlated to Maslow's classification of needs. They explained that human behavior was influenced by the need for power, need for affiliation and need for achievement.

Need for power

The need for a person to control his environment can be attributed to the need for power. This need belongs to the individual's desire to control the people and other objects in his or her environment. The need for power could be considered as similar to the esteem need in Maslow's hierarchy of needs, since here the individual is driven by the desire to control his environment. This need is also considered as somewhat related to the safety need in Maslow's hierarchy because the need for power could be people's desire to feel protected and safe in their environment.

Need for affiliation

These are similar to the social needs described by Maslow. People generally have the need to be accepted as a part of society. The need to spend time with friends, relatives and to mingle with like minded people and to feel a sense of belonging within a social environment - all such desires relate to the affiliation need of a person.

Need for achievement

When a person is completely consumed with the need to accomplish his or her personal, professional goals and ambition, such a person is said to be driven by need for achievement. Hence all the efforts that such people make are directed towards achievement of their goals. These needs are similar to egoistic and self actualization needs.

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According to the Trio of needs, these three needs play a significant role in motivating a person and influencing his or her behavior. According to both the theories discussed above (Maslow's Need Hierarchy and Trio of Needs), if a marketer can find out which need or needs the consumer is pursuing it becomes easy for them to design products and advertisements that motivate the consumer to buy the goods. For example the manufacturer of an automobile could advertise the company's new truck as "winning the trust of powerful men"; by saying so the truck is projected as a tough and durable vehicle and the owner of that truck is seen to be 'powerful'. Thus, this ad will appeal to people with need for power. Similarly, the punch line in the advertisement for Bagpiper soda, which says, "*Khoob jamega rang jab mil baithenge teen yaar. Aap, main aur Bagpiper Club Soda,*" featuring Akshay Kumar, appeals to the need for affiliation.

MOTIVATIONAL THEORY AND MARKETING STRATEGIES

In this section we will be discussing motivational research methods and the various marketing strategies that marketers can develop based on the different motivational aspects governing the consumer behavior.

Motivational Research

Motivational research helps the researchers in identifying the underlying or subconscious motives of consumers by employing qualitative research techniques. We have already discussed earlier in the chapter that consumers may not always be aware of the reasons for their behavior. A market researcher thus can find out the different motives that a person has for buying a product or service. For example a market researcher trying to find out what drives people to buy diamonds may ask a lady, why she wishes to buy diamonds. The lady might immediately answer that she likes them, or because she thinks diamonds are very beautiful and that they make her look beautiful, etc. These reasons that are readily and easily identified by the lady are examples of the manifest motives. Apart from the above reasons it is possible that the lady wishes to buy diamonds as they make her look very young or that they help her catch people's attention and that they also help her flaunt her social status, etc. Such reasons, which the lady may not be aware of, or which she is hesitant to disclose to the market researcher, are known as latent motives.

Latent motives cannot normally be easily determined. A market researcher has to use certain tools to discover them. The projecting technique is one such tool that helps us in this case. In projective techniques as mentioned earlier in the chapter, a series of pictures (drawn in either black or gray ink on a few cards) are shown to a person, and then the person is asked to frame a story based on them. This story is analyzed to understand the personality of that person. In their role to find the latent motives of people, projective techniques are used in three forms: 1) association technique, 2) completion technique and 3) construction technique. In the association technique, the respondent is given a word and then asked to list all the words that he/she associates with that word; this helps the market researcher know what the respondent expects from the name of a product. In the second technique, the respondent is asked to complete a sentence such as "*I would like to buy a Hyundai because...*" or "*I love Rasna because...*", and so on. Finally in the third method, the respondent is asked to narrate a story about how a third person would go through the process of selecting and buying a product. Each of these techniques helps the researcher know what the product symbolizes to them and what all the various features (tangible and intangible) that the respondent will look for, while he or she makes a purchase.

Apart from this, another modern method used is laddering, also known as the means-end or benefit chain analysis. Here, the respondent is asked by the market researcher, to list all the possible benefits he or she can think of about a product. The list of benefits listed is then reviewed by the market researcher.

For example if a respondent were asked why they chose Saffola cooking oil instead of the ordinary oil. She may readily answer that it's good for health or was recommended by the family doctor. The respondent might further add that it helps keep her family fit and enjoy food without any concern about increasing cholesterol level or that it helps avoid putting on weight and hence boosts confidence.

Exhibit 3.1 given below helps us see how Royal Enfield Company used motivational research to find out what features existing and potential buyers of its 'Bullet', preferred. The exhibit further shows how the company benefited when these features were incorporated in its latest model 'Thunderbird'.

Exhibit 3.1

Royal Enfield Motor's Glorious Comeback-The Enfield Resurgence

April 2002 the Enfield's 350cc cruiser bike, Thunderbird was launched in Bangalore. The Royal Enfield has surely come a long way since it was imported to India in 1949. It was in 1955 that the first plant was set up in Chennai, to manufacture the Bullet. The company was known as 'Enfield India'. In 1990 Vikram Lal (who was at that time the chief of Eicher group, and is at present a major shareholder in Eicher group) acquired Enfield India and changed its name to Royal Enfield Motors. In March 2001, his son, Siddharth Lal (Lal) took charge of Royal Enfield Motors. Over the years, economy bikes viz. 100cc bikes, weighing much less and delivering the much sought after mileage and pick up, have dominated the market, and sales of Bullet had slumped. However, with a young and dynamic CEO Lal, Royal Enfield Motors has made glorious comeback.

For 50 years Bullet was a 'single line' company. Lal realized that it needed a major revamping in the type of bikes it manufactured. Before they came up with a new bike or made a reentry into the market, they first set out to learn more about their customer. "Developing new bikes", Lal says, "begins with talking to customers on what they want, and also trying to figure out what they mean, even if they can't explicitly explain it." They found out that they were some "psychological barriers", which stopped the people from owning a Bullet. For starters, it had gears on the right side (while other bikes had them on the left side with the brakes were on the right), it was a heavy vehicle and customers who were accustomed to other motorcycles found it difficult to kick-start it and also it was not great on the mileage front.

Apart from these functional preferences, it was also found that most people who bought Bullet did so for the pleasure of driving and not merely as a means of transport. They viewed it as a Royal motorcycle and owning it was associated with pride. It was thus, very different from the utilitarian range of bikes which were seen as a cheaper mode of travel. Keeping this in mind, Enfield Motors came up with a new range of bikes which combined the rugged image of Bullet with the convenience, style and speed the customer was looking for. Thus, they modified the product according to the customer's preferences. Also Bullet was no longer pitted against the other bikes; instead it was projected as a distinct and one of its kind powerful and charismatic vehicle to distinguish it from its competitors. Also the Company took the strong bond that riders had with the Bullet and encouraged "Bullet lovers", by arranging "bike meets" and pioneering "Bullet clubs" and also designing a more user friendly website (to create emotional bonding with customers).

Thunderbird is a pioneer (from Enfield Motors) and a powerful 350cc bike with "conventional gear-brake", stylishly designed in appealing "snazzy" colours, fitted with a side stand for convenience and a decent mileage of 40kms per liter along with disc brakes. Thus, Enfield Motors has roared its way back into the hearts of its customers and conquered new ones.

Adapted from Vinay Kamath, "The Enfield resurgence", Business Line Internet Edition Thursday, Sep 12, 2002; <<http://www.blonnet.com/catalyst/2002/09/12/stories/2002091200150100.htm>> and Kanika Datta, "Lunch With Business Standard: Siddhartha Lal", Royal Enfield, December 20, 2003; Dt of access 22/03/05 <<http://www.royalenfield.com/interdesc.asp?id=7>>

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Marketing Strategies Based on Motivation

Marketers who understand the motives of their potential customers will reap the dividends of good sales, strong market position and brand loyalty of their consumers. However it is also important for marketers to understand the motivational conflict faced by the consumer, in order to develop marketing strategies. As a person has many and varied motives and they also change on the basis of cognitive, emotional and environmental elements, it may happen that there is a conflict between two or more motives of the consumer. For example, a person who wishes to buy a specific brand of car and also wants to buy only a petrol engine car is faced with a motivational conflict when that particular car is manufactured only in the diesel version. A marketer has to understand this kind of conflict that may be faced by consumers so that he can project his product or service in a way that minimizes such conflict. There are three types of motivational conflicts discussed below.

Approach-approach motivational conflict

Often, the consumer is faced with two different choices, each of which has a desirable set of benefits. Since both the choices are attractive, he cannot decide which one to choose over the other. This situation is called an 'approach-approach' conflict. For example an employee who has received his annual bonus is equally tempted to spend the sum on a holiday or to buy a home theatre. The employee finds both the options desirable, because the holiday offers him a break from his hectic work, for at least a week (and he has been planning to take a vacation for a long time). On the other hand he always wanted to own a home theatre which would make watching movies on TV just as exciting as in a movie theatre. Such a situation can be overcome, if the customer is exposed to a related marketing communication that encourages him to purchase the TV, under an interest-free installment scheme. Similarly the marketer of a holiday package might win the consumer by providing a special discount.

Approach-avoidance conflict

When a consumer prefers a good for some benefits it offers and also tries to avoid it, for some undesirable features associated with it, he is said to be in an approach-avoidance conflict. For example a person who loves to eat sweets might like to buy some, however if the same person is diabetic he or she tries to stay away from sweets. In such a situation the marketer can try to eliminate the undesirable features of the product to make it more appealing to the consumer; for example the marketer could bring in sugar-free sweets.

Avoidance-avoidance conflict

A consumer faced with the decision of choosing between two negative choices, could come across an avoidance-avoidance conflict. Here, both choices appear undesirable because of their negative outcomes. For example a person who wants to buy an AC, but who is also worried about the fact that using an AC will shoot up his electricity bill, will neither be happy without an AC, nor will he try to buy it. Similarly a student who needs a PC, which would be very useful for him, does not want to invest his money in such a costly purchase. The student will neither be happy without the computer nor would he like to buy it. In both the above cases the respective consumers will be very much interested in hiring the AC or the PC (respectively) for a short period. Thus, in case of some products the marketers can offer a leasing option to the consumer apart from trying to sell the product to him or her.

Marketing Strategies Based on Motive Combinations

In reality an individual is faced with more than one motive at any given time and some of them could be in conflict with one another, as seen in motive conflict. Not only does a person have such multiple motives, but each motive is actually inclusive of a few sub motives. For example a student's effort to be placed at the first rank in the class and to win an elocution competition in the school are sub motives that help the student achieve the ultimate motive of becoming the school captain. Similarly a consumer also tries to satisfy specific motives that eventually help him or her satisfy an ultimate motive. For example a consumer might buy a car for its features such as safety, comfort and good design. These motives refer to the safety needs that a consumer has, on the other hand the consumer might also prefer to buy the car as he or she considers it as a status symbol. Thus, though the consumer is looking to satisfy the safety motives he is ultimately also fulfilling the self esteem motive. Marketers therefore should develop products which satisfy a combination of motives that consumers may have.

Marketing strategies based on motive bundling

Customers normally purchase products with the intention of satisfying their motives. For example when a person purchases a house he will want it to serve as a 1) good investment, 2) security for family, 3) to reflect his/her professional success, 4) as a status symbol, and so on. When a product satisfies more than one motive of a consumer, the consumer is collectively influenced by all such motives. Such collective influence refers to motive bundling. The marketer must understand that a consumer could have more than one motive for buying a product and hence the product should satisfy all or most of such motives.

Marketing strategies based on concept of self

A person's self image or the opinion a person has about himself is referred to as self-image. This is normally the perception one has about oneself, one's strengths, characteristics, status and so on. All such factors are reflected in the products and services the person buys. Marketers should therefore try to identify such factors that influence the consumers and design products accordingly.

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A young man might spend much more time in selecting the accessories for his bike or car, than he does in buying upholstery for the home. He may also have complete knowledge about certain products (e.g. accessories for his vehicle), its alternatives and their prices and may also be willing to spend more time in shopping for them. On the other hand he may just pick up the curtains and other upholstery for his house without much involvement. We might wonder why he is so careful in shopping for one product and treats the other purchase so casually. The reason lies in his level of interest that differentiates his degree of motivation in buying the two goods. The more involved a person is in a particular product the more persistent are his or her efforts to purchase that product. For example a person who wishes to buy an air conditioner for his or her home is likely to be very clear about the color of the product, its price, the various features of the air conditioner and finally how effectively it cools a room compared to other brands available in the market. The reason why the person makes the effort to gather this information is that an AC is relatively costly item and also the product is being bought for its utility. The person purchasing the AC is very involved and once he or she chooses the product, the person may purchase it.

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Involvement is defined as “a person’s perceived relevance of the object based on their inherent needs, values, and interests¹¹.” Thus, involvement in marketing terminology refers to the consumer’s interest in the product or the service which motivates him or her to consume the same. A person becomes involved in a product when he or she perceives a link between the product and his interests and needs. The same applies for a person’s interest in services. Hence, the more relevant they (product and services) seem to the consumer, the higher is the level of involvement.

When involvement is high a consumer spends a lot of time and effort in trying to find out all the related information about the product, (such as its price, substitutes, features etc.); from various sources like advertisements, brochures, magazines, the internet, etc. These efforts are called cognitive efforts. It is also possible that all this attention might result in establishing an emotional bond between the consumer and the product. For example Exhibit 3.2, explains how Hindustan Lever Limited (HLL) an important player in the Indian consumer goods market, advertises its product Dove (a soap), as the mildest soap as compared to the other soaps available in the market.

Exhibit 3.2

The Dove Test

In its advertisements HLL insists that Dove has the lowest level of alkaline substances as shown in the pH value (a high pH value in a soap is said to have a harsh effect on the skin), compared to the other soaps. The company invited consumers to take Dove’s ‘mildness test’ to substantiate their claim. In the test a litmus paper (which turns blue if the soap has alkaline substance), is put on a wet bar of soap; the darker the shade of blue on the paper, the higher is the pH content of the soap.¹² HLL conducted these tests at retail stores such as Shoppers Stop (in Mumbai), where consumers were invited to personally check the pH content on the soap of their choice and compare it with Dove. Dove was found to be the mildest soap (as the litmus paper did not change in color)¹³.



Source: www.hll.com

The method followed by HLL in marketing Dove, ensures that the consumer gets involved in the product. In other words, the consumer was encouraged to find out more about the product, what it was made up of, how it was different and superior compared to other products in the same category. In the above example the consumer who spends time in gathering all this information and who takes the test, becomes more involved in the product and might as well buy it. Also it is highly likely that the consumer will prefer to use only Dove soap in future. Hence, marketers can try to motivate their consumers by increasing their involvement in the product.

Antecedents of Involvement

The factors that determine the consumer's involvement in the product are called the antecedents of involvement. The following are examples of such antecedents.

Personal

A consumer's values, goals, aspirations and beliefs, all have a major say in the degree of his involvement while purchasing a product or a service. A school kid for instance may be more interested and may be better informed about the cartoons being aired on various channels on cable TV, than about the various news channels. Similarly a person, who values nature or wishes to protect the environment, might insist on using eco-friendly goods such as recycled paper, cans, etc.

Stimulus and the object

The method used by the marketer in communicating the product to the consumer determines the level of involvement that the marketer can arouse in the consumer. Thus, many marketers try to stimulate the consumer (using visual, auditory or any other sensory system) either rationally or emotionally. For example if a consumer who is a mother of two children (aged between 10 and 15 years), were to see Complan to be just another product that could be used to add flavor to milk, she might not think much about it. And she may purchase it casually, if she did. However, if Complan is projected as a health drink and it is packed using bright colors packages and also has a nutrition chart (on its packing) to support its claim, then she is likely to take some interest and try to get to know more about it and may actually start buying Complan regularly. This is an example of rational stimulation.

On the other hand the Complan advertisement, wherein the son takes his mother for a ride on his bicycle; while the mother looks at him with eyes filled with wonder, as she realizes that her child has grown up makes an emotional connection with the viewers, while informing them that Complan is good for growing children. Thus, the stimulus (intellectual or emotional), used by the marketer can determine the level of consumer's involvement.

Situations

Individuals can display different (high or low) levels of involvement, and their levels of involvement may also be radically different (very important and least important) when they buy the same product; at different point of time or for different occasions. For example the effort (such as time and cost) a person invests in buying flowers for the living room as a part of daily decoration, and the effort she expends in buying flowers for her parents' anniversary will differ. The consumer is more involved in the second case.

Apart from the above cases, the consumer could also get more involved when there are many alternative goods for a product. For example, while buying kitchen appliances, the customer may come across a variety of brands and versions for every appliance. Then there are also some purchases such as buying a 'solitaire' ring or a 'dream house', which are a 'once in a lifetime' purchase where the consumer is bound to be more involved. Thus, the level of involvement apart from motivating the consumer, also determines the objective of the motivation (which product to buy) and the intensity of the customer's efforts.

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Types of Involvement

Involvement is simple when the consumer is aware of only the basic information, and he or she does not make any effort to find out more about the product. For example many of us would just ask a shopkeeper, for a pack of matches and may not insist on buying a specific brand. In this case the level of involvement is low as we make the purchase out of habit and not because of specific motivation¹⁴. In other cases, involvement is elaborate, in which case the consumer makes the effort to further his or her knowledge about the product or service by doing a little research.

Herbert E. Krugman conducted a research study between 1968 and 1971 on people watching television. He tried to study the level of involvement of people with the advertisements that are aired on TV. He finally concluded that the consumer's level of involvement in advertisements was low while they watched them on television, but on the other hand their involvement was high when they saw the advertisements on newspapers and other print media.¹⁵ Therefore a marketer should analyze the customers' level of involvement and try to provide relevant information in order to induce them to purchase the products or services being offered. In case of high involvement the marketer can provide detailed information, while in case of low involvement he can use repetitive communication to aid product or brand recall during purchase. For example Tata salt has emerged as a brand on par with other brands such as Colgate and Lux, which are established brands, in spite of the fact that salt is a low involvement product¹⁶. This was a result of Tata's extensive advertising and strategic positioning of its salt¹⁷.

TECHNIQUES OF MOTIVATIONAL RESEARCH

As we have discussed, human needs or motives play a very important role in influencing the consumption pattern of a consumer. Apart from this the marketer also has to understand that these needs are dynamic and are influenced by socio-cultural factors relating to the consumer. Thus, Kellogg's which is a popular brand of cereal in many parts of the world, was not successful as a breakfast cereal in India as Indians' breakfast habits are quite different from those in other parts of the world. Therefore, instead of trying to position it in the breakfast category, Kellogg's Company has moved to present it as an energy cereal. Thus, the marketer has to understand these needs or motives that vary between people and places.

The area of marketing research that focuses on understanding consumer behavior by analyzing the various physiological and psychological influences on a consumer is called motivational research. (Exhibit 3.3 discusses Allen Solly's (a leading brand of readymade clothes in India) effective use of motivational research to design the successful Allen Solly range of clothes for working women in India).

Marketers have realized that they cannot gain sufficient insights into how customers behave just by studying the changes in sales volumes. Apart from the objective data such as the increase in demand for a product, or change in lifestyle of a consumer; which are quantifiable terms that help in understanding the consumer's behavior, the marketer also need qualitative data that explains how a consumer behaved and why? Qualitative research gives the marketer a few psychological insights and interpretations of a consumer's actions and is concerned with the emotional aspects of the consumer's behavior. Qualitative research was first mentioned as a psychological approach to marketing research in 1930 by Dr Lazarsfeld. Qualitative tools are used to understand the motivation behind consumers' preferences¹⁸.

Exhibit 3.3**The Woman in Allen Solly**

Allen Solly was started in India in 1993, by Madura Garments. It initially focused on office apparel for men. They were the pioneers of “Friday dressing” in India. After bringing in some radical and welcome changes in menswear, Allen Solly introduced ‘western work wear for women.’ Launched in December 2001, this line of women’s wear became famous nationwide for providing sophisticated and comfortable western wear for working women.

Research conducted by IMRB (Indian Market Research Bureau) had revealed that the percentage of women in industry or in the working force had increased. However there was no corresponding change in their office wear. Allen Solly realized that women admired the fabric, colours and the fact that western wear was less cumbersome to wear, in contrast to the beautiful yet difficult to manage traditional wear. It found that a lot of women did not want to do a complete makeover and wear only western clothes to office. However, they did want to wear it at least few times a week. But the clothes available in this segment were unsuitable for the Indian woman as they were designed according to international standards.

Thus, Allen Solly came up with its line of work wear for woman, which was designed keeping in mind the Indian woman. Although western outfits appealed to the increasing population of working women, they were still traditional and attached to their culture. Hence, Allen Solly came up with a line that was a fusion of comfort and convenience combined with the colours of tradition and styled with international cuts.

Adapted from Sravanthi Challapalli, The Hindu Businessline: The woman in Allen Solly, www.blonnet.com.

Qualitative Research Tools in Motivational Research

Motivational research tries to find out the hidden motives of consumers by using various qualitative research tools, such as 1) Observation 2) Focus group 3) In-depth interview and Projective technique.

Observation

Observation is a technique wherein a person is observed to gain an insight into his or her behavior. In this method the market researcher closely observes some consumers and tries to infer whether their behavior is constant over a period of time and whether such behavior be predicted reasonably. The researcher will also try to predict certain other characteristics of the person. To yield better results, this exercise of observation has to be supplemented by the use of focus groups and in-depth interviews.

Focus group

In a focus group the market researcher may conduct a series of discussions on general topics with a group of respondents. These topics could range from ‘what the respondents think about a product’ to ‘what characteristics they attach to it’ and so on. The respondents here are normally a few selected persons who broadly represent the target market. The market researcher will act as a ‘moderator’ in such discussions, where eight to fifteen people take part. All the respondents are closely observed by the researcher. The enthusiasm or level of participation by the group is crucial, as it helps the researcher to understand their standpoint regarding the topic of discussion.

In-depth interview

Next in line is the in-depth interview, which is a very important tool of motivational research. Here, each respondent is personally interviewed by a qualified motivational researcher. The interview is conducted in an atmosphere of mutual trust, and the

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respondent is encouraged to answer without hesitation, fear, or embarrassment. All answers are welcomed and the researcher develops an emotional connection with the respondent by making him feel comfortable or by creating a spirit of comradeship and a good rapport. In the interview that lasts for one or two hours the researcher initiates a series of discussions on various topics and often repeats and summarizes the respondent's opinions and asks him (or her) to clarify a point or elaborate a thought. Thus, the researcher draws insights into the psychological aspects of the consumer in a congenial atmosphere.

Projective technique

Projective technique is another tool which is used in motivational research. In this technique the researcher shows the respondents a series of pictures and asks them to say what the picture means to them. The researcher may also ask them to tell a story based on those pictures or to conduct a role play. The aim of this activity is to infer what the respondents think about the exhibits and how they associate such pictures with them. During this process the researcher will note down the specific reactions of the respondents such as any pauses, a change in body language, eye contact, confidence in answering (stammering, or answering aggressively), etc. These verbal and nonverbal cues will help researcher better understand the general outlook of the respondent.

This entire process (qualitative and projective exercises) is recorded on a video tape or on paper. The researcher will read the document many times to understand the thought processes of the consumer. The responses to both the direct and projective questions given by the consumer are analyzed to see the rationale of his behavior and to identify any contradictions in his (or her) thoughts.

The analysis

Once the researcher forms an opinion about the respondent he or she will correlate this opinion with the various cultural, sociological influences that influence the respondent. Also all the above information is reviewed against the backdrop of the competition to understand how a product is being perceived by the customer with respect to other brands in the market. This knowledge will be used by the marketing teams to formulate effective marketing strategies.

Motivational research thus plays a very pivotal role in understanding the consumer behavior. Hence, a well trained, open minded, objective researcher who conducts the process sans any preconceived notions about how and why a person behaves in a specific manner will add credibility to the research¹⁹.

SUMMARY

Motivation is what stimulates all human behavior. The process of motivation is initiated by the tension an unsatisfied want creates. An individual makes all possible efforts to reduce that tension. The needs or motives which are at the root of the motivation process are of different types. Physiological needs or primary needs include the need for air, water, food, clothing, shelter and sex, while psychological or secondary needs include the need for affection, status, security, etc.

Needs could be positive, negative, utilitarian or hedonic, conscious or unconscious, and accordingly goals are formulated. 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.

It is very important for the marketers to know the motives influencing the consumer as they initiate and direct all human behavior (including consumer behavior). Many psychologists such as William McGuire and Henry Murray have tried to list human motives; the motives listed by them are relevant to a marketer in studying consumer behavior as well. While McGuire used a four point model to explain marketers that a consumer is affected by a combination of needs and not a single need, Murray tried to list 27 motives and stated that people have a similar set of needs, however they prioritize them differently.

Theories of motivation also help marketers in understanding how consumers' consumption is influenced by their needs. Abraham Maslow tried to arrange such significant needs into a hierarchy of five levels, depending on the relative importance of the needs to a person. The five levels of needs given by him are 1) physiological needs, 2) safety needs, 3) social needs, 4) egoistic or self esteem needs and finally 5) self actualization needs. The trio of needs (another theory of motivation) deal with three kinds of needs viz., need for power, need for affiliation and need for achievement. These needs play an important role in influencing consumer behavior. Motivational conflict is a concept which deals with the conflicting motives of the customers. Here the marketer tries to project the product as a solution to such conflicts.

With motivation being such a major influence on consumption pattern of the customer, there is a strong need to study it as part of marketing research. Qualitative techniques of observation, focus groups and in-depth interview and analysis are used to understand the latent motives of a consumer. The level of involvement (how interested the consumer was about a product) determines the degree of motivation a consumer had to buy that product. The source of stimulation and the particular situation the consumer is in when he or she comes into contact with the product also determine the level of involvement. It could vary in degree, i.e. the customer's involvement could be at the basic stage (it could be passive or low); on the other hand involvement could be active or high. The marketer has to understand how interested his consumer is and accordingly formulate strategies and advertising.

To conclude, the marketer who understands the various needs that motivate a consumer in purchasing a product or service and is able to design and showcase his products accordingly will be successful.

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Chapter 4

Personality

In this chapter we will discuss:

- Definition of Personality
- Nature of Personality
- Theories of Personality
- The Concept of Self

Consumer Behavior

July 11, 2004, Tata Motors launched their new version of Tata Sumo, the Tata Sumo Victa¹. The advertisements for the Sumo Victa aired on television sought to link the vehicle with the personality of the people who drove it. These individuals were resilient and strong-minded, people who had survived tough times. The advertisement carried the punch line “what you drive is who you are.” Tata Sumo Victa was positioned to appeal to customers who were like the people projected in the ads.



Source: www.tatamotors.com.

Consumer buying behavior is the decision process of final consumers. In this process, the consumer analyzes and purchases the various products available in the market. The personality of consumers is an important determinant of consumer buying behavior. Each individual is different from the other, and each exhibits different characteristics as a consumer².

Marketers have realized that consumers are not guided by the price and utility of the product alone, they are also directed by their individual personalities while making a purchase. Marketers therefore try to understand the personality of their potential customers and position their goods accordingly. Consumer psychologists consider ‘consumer personality’ as a very important criterion for market segmentation. Many of the marketing variables are related to various theories of personality. For example, decision behavior, purchase behavior, brand loyalty, innovative buying behavior, response to advertising and design features, etc., can be linked to various theories of personality³.

The personality of a person influences his behavior as a consumer and is reflected in his purchasing process. This is evident from the way different people look at the same products in a retail store⁴. For example, one person may feel that a chocolate drink is delicious and may want to buy it; another might think that it is delicious but fattening and so avoid it. In this chapter, we will discuss the various theories of personality such as the Freudian theory, Neo-Freudian theories, Trait theory, and Self Concept theory.

DEFINITION OF PERSONALITY

Personality is defined as “an individual's characteristic response tendencies across similar situations or those inner psychological characteristics that both determine and reflect how a person responds to his or her environment”.⁵ These individual characteristics refer to the values, beliefs, principles, attitudes, and traits specific to that person. Personality is also influenced by socio-cultural (environment) and education (cognitive) elements. It is a function of a person's beliefs, character, individual preferences, habits, values inculcated, opinions, and the influence of socio-cultural elements, and the inputs from education. How and why a person acts or reacts and to achieve what are all related to his or her 'personality'. It is valid to say that a consumer's choice, be it for a product, service, or even the store where the purchase will be made, is all determined by his personality.

NATURE OF PERSONALITY

It is important to analyze the basic characteristics of personality. Some of them are discussed below.

Personality Reflects Individual Differences

No two individuals are similar. They differ in terms of various personality characteristics. Nevertheless they all share some common traits. Some people may be extroverts and some may be introverts. Marketers can therefore identify customers and group them according to their identical traits. For example, some men would like to assert their physical strength through almost all the products or services that they use. They therefore prefer such products that are seen as either powerful, or those that reflect their macho image like a Bullet motorcycle of Enfield Motors. Most ad campaigns are developed keeping such aspects in mind.

Personality is Consistent and Enduring

Though it is possible that an individual's personality changes a little during his lifetime, it is unlikely that a radical change will take place. So, a marketer can largely assume that personality is a stable component and accordingly formulate and promote his products.

Personality Can Change

Though consistent, personality can be altered by certain events in life. For example, parenthood, legal separation, professional achievements all modify personality. According to a research conducted on personality changes over time, it was found that a person tended to become more responsible, organized, and focused as he grew older. The findings were contrary to the normal belief that personality is determined in one's early adulthood. It is found that personality evolves throughout adulthood and in many cases, continues to evolve even after a person attains the age of 30.⁶

THEORIES OF PERSONALITY

The different theories of personality that are discussed below are the Freudian theory of personality or Psychoanalytic theory, Neo-Freudian theories, and Trait theory.

Consumer Behavior

Freudian Theory of Personality or Psychoanalytic Theory

Sigmund Freud, was a psychologist, and also a qualified doctor who practiced Neurology. He conducted various studies on his patients to understand their personalities. Based on his studies, he proposed that a person's unconscious beliefs and thoughts influenced his behavior and hence his personality. Freud's theory is based on the hypothesis that all human behavior is driven by the unconscious motives that a person has and that these motives are influenced by that person's biological drives or physiological needs such as need for air, water, food, clothing, and shelter. For example, a person might consume a vitamin tablet thinking that it would give him the nutrition he needs. It may also be possible that the person might subconsciously think that the tablet will help in preventing ill health in future.⁷

Sigmund Freud's Psychoanalytic Theory of Personality is considered to be the cornerstone of modern Psychology. It projects the personality as the nucleus or the center of the interaction between the three systems, which are 1) the id 2) the superego, and 3) the ego. Let us discuss these three systems in detail.

Id

The id is a state of mind that influences a person's strong, powerful, and intense desire to satisfy his or her basic needs such as hunger, thirst, and sex. A person guided by the id, usually acts spontaneously (impulsively) and seeks to satisfy these needs immediately. Here, the person pursues these physiological needs with a primitive zeal. He is only concerned about the end and not the means of gratification. The id is described as the warehouse of such instincts, wherein there is no room for objectivity. The person under this state is driven by his pleasure motive i.e., he wants to move from the state of tension to a satisfied mode immediately.

Superego

The superego is the system that directs a person's psyche with regard to his or her behavior as a social being. It houses a man's disposition as a social being and refers to the morals and ethics of society. It is the opposite of the id. The superego urges the person to satisfy his needs within the constraints of society. Thus, the superego is the integral part of a person that is attuned to the external environment and mirrors the social values and generally accepted norms of behavior. It has a moralistic motive wherein it tries to check the id. For example, a person might be influenced by the id to party all night listening to rock music played loudly on the music system. However, the superego might prevent the person from doing so as that would disturb the neighbors.

Ego

The ego is at the root of objective thinking. It is concerned with conforming behavior with the norms of society. It operates on the realistic principle; it ensures that every need is pursued and satisfied in keeping with the constraints of a person's environment. Thus, the ego enables a person to exercise a conscious control over the id and also helps him or her to comply with the superego in the process of satisfying the wants. Thus, the ego acts as an internal monitor. In the example given above, the person might be guided by the ego to party at a discotheque instead⁸.

The Freudian theory therefore views that personality and behavior of an individual is the function of individual's motives and thoughts, which might be influenced by the interaction of these three systems (the id, the superego, and the ego). These biological motives could be unconscious in nature.

Application of Freudian Theory in Consumer Behavior

A marketer can advertise his product in such a way as to appeal to the id, the superego, or the ego states of a consumer. For example, the advertisement for Bacardi rum tries to appeal to the id, with its message “calling out to all the creatures of night.” Market researchers strive to find the motives that a consumer wishes to fulfill by using a particular product or service. For example, a consumer buying an Axe perfume might be guided by the id, whereas a person buying eco-friendly batteries is guided by his superego. A consumer who prefers a calorie-free Coke (who wants to enjoy the drink but wishes to avoid the calories) is directed by the ego. Knowing what the consumers’ perceptions about a product are (which might be influenced by any of these three states), will help marketers in segmenting and effectively positioning their products to the target groups.

Based on the Freudian theory, market researchers understand that the products used by the consumers reflect their personality. It has been observed that consumers subconsciously consume products that match the traits of their personality. Marketers have to identify the link between the consumer's purchase motive, the product, and his personality. Thus, consumption is more often than not an extension of a consumer's personality. For example, a consumer's decision to buy an Elle18 nail polish or a Maybelline lipstick might reflect the fashionable and stylish persona of that consumer. And this brings us to the concept of brand personality.

Brand personality

Brand personality is defined as “the set of traits people attribute to a product as if it were a person”⁹. The characteristic features of human beings are attributed to brands. The assumption behind brand personality is the belief that brands can also have personalities like human beings. These characteristics would be unique to that particular brand. For a consumer, it would be easy to relate to a brand that projects a personality. Just as human beings develop an emotional bond with each other, brand personality helps a consumer to have an emotional attachment and affiliation toward the brand. The ‘complete man’ ads by Raymond project the Raymond man as a complete man who can also exhibit sensitivity. In the eyes of the consumer, Close Up toothpaste brand is perceived as an attractive girl next door¹⁰. (Exhibits 4.1 and 4.2 discuss the concept of brand personality).

Exhibit 4.1

The Personification of Femina and Woman's Era

Femina is India's most famous woman's magazine, a part of the Times of India Group (owned by Bennett, Coleman & Co Ltd.) It is associated with beauty pageants like Miss India. Woman's Era, another magazine, is owned by Delhi Press Publications. These two magazines are prominent in the Indian print media, especially in the category of women's magazines. Both deal with matters relating to the health, beauty, career, culinary interests, and personal problems of women. However, they are viewed very differently by the readers. For example Femina is associated with a beautiful, strong, ultra modern woman who is very successful in her career and is very fashion conscious -- in short -- ‘A woman of substance’ as its tagline goes. On the other hand, Woman's Era is pictured as the quintessential Indian woman, who is caring, warm, who keeps up with her times and is excellent in family relations. The readers see the Femina woman as ‘cosmopolitan’ and the Woman's Era woman as the quintessential Indian woman. Woman's Era is seen as conservative in approach and Femina is seen as a futuristic magazine. Femina claims to cater to the tastes and preferences of the modern Indian woman. It has sections on beauty, fashion, health, food, and more”. Woman's Era, on its part, describes itself as “A woman’s magazine featuring scores of sections, articles etc., which are not just women-centric but are for the whole family”.

Adapted from "A Magazine of Substance; Reviews on Femina," www.mouthshut.com; Official Description of Woman's Era, www.mouthshut.com; Vishakha Dey; "Content analysis of 'Femina' and 'Gentleman' ", www.indianmagique.com.

Exhibit 4.2

She's Taj- The Taj Group of Hotels

The Indian Hotels Limited, owner of the Taj Group of hotels, has been in the hospitality business for over a century now. The first Taj hotel was established by Jamsheji Tata in Bombay (Mumbai) in 1903. The group now has about 53 national and 12 international hotels. In 2002, the Taj brand was given a personality. Realizing that the Taj needed a brand image, the company came up with the concept of presenting the Taj as a woman, who is an elegant and caring hostess offering the best of services with a welcoming smile. Hence the line 'She's Taj' followed by the promise that "nobody cares better", were designed and extensively advertised through television and brochures. Thus, the Taj Group of hotels was personified by this 'smiling hostess', who promised to offer the best in hospitality.

Adapted from Sujata Agrawal. "Sovereign splendour", www.tata.com; "Marketing the Taj" www.tata.com.

Consumers thus associate various attributes with a product or brand and judge them as persons rather than goods. The marketer has to understand how the consumer envisages the product as this will help in building and maintaining brand loyalty. Let us consider Tata as a brand, It is generally looked upon with respect and as a symbol of trust and quality for its products and services in India. A strong brand image helps build a bond with the consumers and will rescue the company in times of economic changes. The Tata Group of Industries withstood the onslaught of foreign brands in the era of liberalization and retained its image as a top brand. Ratan Tata, after becoming the chairman of the Tata Group in 1990, initiated efforts to build formidable brand equity for the company. This saw it through the era of liberalization by helping it compete with foreign competitors in the market. To quote Ratan Tata, "The intention has been to create a single strong entity that will benefit all [Tata] companies... If you are to fight a Mitsubishi or an X or Y in the free India of tomorrow, you better have one rather than 40 brands. You better have the ability to promote that brand in a meaningful manner."¹¹

Celebrity endorsement

Marketers use celebrity endorsement to communicate and build a distinct image for their products and brands. When a celebrity promotes a product or brand, it makes more impact and becomes easier for consumers to recall. A consumer will associate the product with the image or personality of the person endorsing it. It is essential for the advertiser to understand the necessity of using a celebrity. For a makeover of the image of the product, the celebrity can be used for a longer period of time, so that the brand can derive the benefit of the celebrity's image. When Epson used Sushmita Sen, ex-Miss Universe, it gained immediate recognition in the computer printer market. Film star Rani Mukherji campaigned for Bata's ladies footwear brand Sundrop and the advertisements helped to boost sales by 500%¹² When Cadbury India Ltd., (CIL a part of Cadbury Schweppes Group), which is the largest player in the Indian chocolate market, faced turbulent times with reports claiming that worms had been found in some of its chocolates, the company roped in film star Amitabh Bachchan to assure its consumers of the quality and safety of its products¹³.

Illustration 4.2: Celebrity Endorsement



Companies, however, have to be careful while choosing the celebrities for the advertisements. They have to analyze whether the celebrity can identify with the aspirations of the target customers. Moreover, the image of the celebrity in the public mind is very important. Using celebrities helps establish the credibility of the product or the brand; also celebrities help to get the ad noticed from among the clutter of advertisements and thereby to catch the attention of the target group. The celebrity appeal varies with demographic segments like age, gender etc. However, celebrities with universal appeal are able to generate greater interest among the people.¹⁴

Shortcomings of Freud's theory

Sigmund Freud conducted studies on his patients who visited him for treatment and hence such conclusions on personality couldn't be validly applied to 'a typical consumer' in a market environment.

Freud's approach was subjective, i.e., he used psychological factors like personal feelings, emotions, and subconscious thoughts. But consumer behaviorists wanted an objective view of the consumer, quantitative proof, and empirical data to support and form theories regarding personality and consumer behavior.

Freud's theory was set in the socio-cultural backdrop of 19th century Vienna where there was a general tendency to believe that the personality of a person was largely influenced by the gender of that person. However, post-1950, there was a paradigm shift in the way people saw things, they were more inclined to know the effects of society on personality, i.e. the analytical approach.¹⁵ Thus the theory from an entirely different timeframe couldn't be applied to contemporary times, as this would confuse market researchers and waste their time.

The view that every individual when faced with a particular market situation would be influenced by his personality in choosing the product or brand was replaced. Instead every individual was directed by his inner thoughts and goals and there were a lot of 'intermediary' processes and thoughts that influenced his purchase decisions. Hence, a person did exercise some control over the environment and was actually not shopping according to the situation but shopping for a situation. For example, a consumer (let us assume it's a woman) may not like instant coffee as she associates it with people who she thinks are too lazy to make filter coffee. Yet she might buy it thinking it may come in handy on a busy day. Hence, it is a purchase that results from her foresight rather than her need.

Consumer Behavior

A market researcher doesn't only need to know what personality is but also why it is so. Personality is developed as we grow and family relationships and learning play a great role in shaping it. Research shows that children of authoritative parents tend to be dominating. This conclusion seems valid as our personalities take shape from childhood and reiterate our basic learning¹⁶.

Neo-Freudian Theories

Many of Freud's contemporaries did not agree with him that human needs were influenced only by the bio-genetic elements that made up the person. This group of theorists believed that apart from the unconscious biologic needs, personality was a result of social relationships (culture and history and other such factors). They were known as the neo-Freudian theorists and included Jung Carl, Alfred Adler, and Karen Horney.

Jung's theory of psychological types

Carl Jung was initially a follower of Freud. However, later he did not agree with Freud that all unconscious motives were rooted in the physiological aspects of the person. He introduced the term 'collective unconscious'. This term refers to all the memories an individual has in his subconscious mind from not only his infancy but also from his ancestors. He believed that certain fears, reverence for certain things and beliefs transcend generations. He cited the following examples to substantiate his theory: An infant normally seeing his or her mother as a symbol of love and protection, the general fear of darkness that everyone has, or the fact that one tends to associate evil and unpleasantness with the dark.¹⁷ Jung also pointed out certain archetypes (original models of behavior) that are seen in mythical tales wherein nature is always shown as a mother and darkness is associated with evil. Such myths and beliefs are prevalent throughout the world. Jung showed how these inherent thoughts played a major role in modifying psychological reactions to changes in extrinsic elements. His theory is a blend of rationale and myth. However, it seems to have given the creative world of advertising the much-needed insight into the consumer's psyche.¹⁸

Jung proposed that an individual's personality should be studied from four dimensions.¹⁹ Each dimension contained a pair of contradicting natures of personality. These four pairs were: 1) Sensing-intuiting, 2) thinking-feeling, 3) extroversion-introversion, and 4) judging-perceiving. When these four dimensions are cross-tabulated, we get 16 types of personalities.²⁰ Out of these four pairs, the pairs commonly used in the study of personality are sensing-intuiting and thinking-feeling.

Myers-Briggs Type Indicator (MBTI)

Isabel Briggs Myers created the MBTI (a personality inventory),²¹ based on Jung's personality types. This is the most widely used measure of personality types. The MBTI uses two dimensions to understand one's personality: 1) sensation and intuition and 2) thinking and feeling.

Sensation (S): Wherein a consumer is particular about the accuracy and objectivity in collecting and processing data regarding a product or service. For example, a person might be focused on making an economical bargain while buying furniture for his or her home. Such a consumer is likely to give more importance to the price element of the product.

Intuition (N): Here, the consumer seeks an overview of all the information and trusts his instincts. He tries to get a feel of the product rather than know all the facts about it. For example, while shopping for upholstery for the house, many consumers might visualize how the particular color or design of the product might change the

appearance of the house; and accordingly buy the product rather than go by just the price. After securing the information, the consumer will analyze it and form decisions in any of the following two ways.

Thinking (T): The consumer will emphasize or focus on taking a logical decision that is rational and acceptable at all times. For example, the consumer might consider buying metal furniture or polyester curtains, as they are easy to maintain.

Feeling (F): Here, the consumer takes decisions subjectively. A lot of the beliefs and morals of the consumer go into making the decision. For example, the consumer might believe that lighter shades of color might give a serene ambience to the home and may shop for upholstery of those shades. Similarly, the consumer might dislike using products made of plastic and so avoid molded (plastic) furniture, plastic packing, etc.

Thus we can get to understand the two different methods that people follow to gather information and formulate decisions. When these two pairs of dimensions are cross-tabulated, we have four types of personalities that are relevant to the marketer.

Table 4.1, lists the characteristics of the four personality types. MBTI was developed on the basis of Jung's view about how different people have varied perceptions, attitudes, and ways of thinking. MBTI aimed at finding out the specific or the preferred way the consumers used to perceive and analyze things, with the intention of using this knowledge in real market situations.²² For example, in the previous example, the marketer can position his product as economical and beautiful to the sensing-thinking consumer and try to win the consumer using the value appeal of the product. Knowledge about the consumer's personality helps the marketer to design and position products accordingly.

Table 4.1: Jungian Personality Types

Personality Types	Characteristics
Sensing-Thinking (ST)	Analytic thinking Concentrates on economy Advocates caution (low risk) Careful and extensive product research Decisions are for short term goals
Sensing-Feeling (SF)	Subjective rather than objective thinking Takes decisions that are risky Gathers data from other people, rather than depending on research Decisions are for short term goals
Intuition-Thinking (IT)	Blends imagination with empirical thinking Makes a mental picture of each product and compares them Takes decisions that are risky Decisions are made with a futuristic view
Intuition-Feeling (IF)	Completely subjective Depends on people to take decisions Doesn't consider the constraint of price and value of the product Decisions are made with futuristic view

Adapted from Leon G. Schiffman and Leslie Lazar Kanuk; "Consumer Behavior"; Prentice Hall Sixth Edition 1998 "Summary Characteristics of Selected Jungian Personality Types", 123.

Consumer Behavior

Views of Karen Horney

Karen Horney was an American psychiatrist. She disagreed with Freud's view regarding the origin of differences in the personalities of men and women. While Freud was of the opinion that these differences were biological and that a person was born with them Horney argued that these differences were shaped by the culture and society of a person.

Horney was known for her work on neurosis and psychoanalysis. She defined neurosis as maladaptive behavior, and said that people faced with difficult relationships, tried to seek refuge in defense mechanisms such as neurosis. According to her, an individual finds it difficult to handle certain psycho-social environmental pressures that lead to problems within them. For example, traumatic events like the death of a family member or a scandalous romance could put people under a lot of pressure. She stated that there were three types of personalities, based upon neurosis and relationships.²³ These three personalities are distinguished on the basis of how a person's need for affection, love, and protection are influenced by his relationship with his family or friends.

Those who move toward people

Horney pointed out that children who grew up in a lonely environment were likely to be very anxious or attention seekers as adults. Such people generally experienced the need to depend on someone. These people had an affinity toward others, they wished to be in a group where they were respected, loved, appreciated, and cared for.

Those who move against people

These are people who try to counter their insecurities by exercising power over others, by being bossy, intimidating, selfish, and rude.

Those who move away from others

These people try to deal with difficult relations by avoiding them altogether. They are indifferent to and don't acknowledge any relationship and try to protect themselves from any hurt or pain. For example, a child who has a strained relationship with his parents might ignore them as he may believe that if he does not have any contact with them, they cannot hurt him.²⁴

CAD

Based upon the above three personalities, a tool called CAD was developed by Joel B. Cohen. He was a market researcher who tried to understand the role of personality in consumer behavior. This tool recognizes three types of people.

Compliant Oriented: People under this category want to socialize. They look for affection and acknowledgment from those surrounding them. (Belong to 'the move toward people', type of personality).²⁵ For example advertisements that depict coffee houses (such as Coffee Day) as the place to spend time with friends. Or advertisements like those of Amway (pioneer in multilevel marketing), with the caption "Spend more time with your family". This ad would appeal to those who wish to spend more quality time with their family and friends while also doing a profitable business.²⁶

Aggressive Oriented: These are people who strive to excel, to achieve success, prestige, and admiration. They view others as adversaries, and want to prove their superiority over them.

Detached: These people build a wall between themselves and the outside world. They seek freedom from emotional ties and love to be independent and self-sufficient.

Table 4.2: Characteristics of CAD

CAD Factors	Related Traits	Marketer's Strategy
Compliant	Modest Traditional Receptive	Marketer needs to inform him about his product and its uses and relate it to his social affiliations.
Aggressive	High level of confidence Extrovert Egoistic	Marketer has to appeal to him i.e. he should project that unique or innovative feature of the product that establishes its superiority.
Detached	Suspicious of people Introvert Anxious	Marketer has to try and win the confidence, through ads that show facts and statistics to prove the product's credibility.

Adapted from Jon P. Noerager. "An Assessment of CAD – A Personality Instrument Developed Specifically for Marketing Research." Journal of Marketing Research, Vol. XVI, February 1979.

Table 4.2 depicts the characteristics of the three personality types recognized by CAD.²⁷ It was noticed that while making generalized purchases or on-the-spot purchases, a detached consumer showed the least involvement compared to the other two types of consumers.²⁸

Adler and Sullivan

Alfred Adler was initially a follower of Freud, but like Carl Jung, he too disagreed with some of Freud's views regarding personality. He gave another explanation to the personality theory by stating that the social angle played an important role in a person's choice. He coined the term 'style of life', which referred to the efforts made by human beings to seek, pursue, and fulfill reasonable objectives such as good social relations, prestige in society, etc. Adler proposed that every person was born with a feeling of inferiority and as the person grew old, his or her efforts were directed at reducing such feelings.²⁹ Henry Sullivan, who also belonged to the Neo Freudian class, stated that all actions of the people were directed at alleviating themselves from a state of tension or anxiety to a state of tranquility.

Trait Theory

The trait theory tries to bring a quantitative approach to the personality theory. It says that the personality of a person depends on his or her inherent traits. This theory tries to study personality in terms of exclusive individual characteristics called traits. A trait is defined as "any distinguishing, relatively enduring way in which one individual differs from another".³⁰

The theory says that consumers differ in the nature of consumption due to differences in these traits. The marketer needs to concentrate on a trait and how it affects a consumer's behavior. A consumer's decision could be dominated by any of the personality traits given below.

Innovation: The consumers could be receptive to changes or abhor them. The marketer has to understand whether the target consumer looks forward to alterations in products or prefers them to remain stable and constant.

Consumer Behavior

Influence: Marketers must keep in mind that some consumers are independent while making their purchase decisions, while others are influenced by the word of mouth information they get regarding the product.

Materialism: Some consumers invest in material possessions for a comfortable life, whereas, others indulge in acquiring goods not just for utility but to express their personality. For example, a consumer might buy more than one automobile because it is necessary for him. Another consumer might purchase more than one automobile as it makes him or her feel happy or successful. Such materialistic consumers equate their possessions with their personality.

Consumer ethnocentrism: In today's market scenario, a majority of consumers have access to products from around the world. However, some consumers favor foreign made goods while others are against them. In other words, the fact that a product is imported would make it desirable in the eyes of some and not at all desirable in the eyes of others.

Need for uniqueness

Some people aspire to own products that are exclusive and are not in everyone's possession.³¹ A need for rare products might motivate these consumers to search for products that are manufactured exclusively. For example, Omega watches are projected as watches that the most successful individuals like business tycoons, athletes, and celebrities wear. To strengthen its image as an exclusive and sophisticated watch, the management of the company reduced the number of models in Omega from 2000 to 130. It also made watches using gold, titanium, and platinum.³²

Need for cognition

A few consumers have a high need for cognition or they are very curious to know all the information regarding a product. Such consumers indulge in the process of thinking. Marketers can influence them by using advertisements that have a lot of information viz. literature, facts, figures, etc. On the other hand, to attract consumers who have very low need for cognition, advertisements endorsed by celebrities or those that picture attractive models or captivating visuals could be more effective. For instance, the advertisements of Kerala tourism emphasize the visual beauty. They use captivating breathtaking scenes showcasing the beauty of Kerala that leave a lasting impression on a consumer, whereas advertisements of financial and insurance services provide a lot of information to attract consumers. Ads giving a lot of information are received well by people with a high need for cognition.³³

Multiple trait theory and Five-Factor theory

A marketer has to offer his products on the basis of a single trait or more than one trait of a consumer's personality. For example, a consumer might be quality and price conscious and may not be brand conscious. The marketer therefore has to offer such a consumer a quality product with emphasis on low price rather than on the brand and vice-versa. Thus, the marketer could try to appeal to a single trait or a combination of traits. This is known as multiple trait theory. However, it is important for the marketers to find out the distinct traits of the consumer. The Five-factor theory developed by Jeff McCrae and Paul Costa tries to explain how the study of the following five traits could help understand the personality of a consumer.³⁴ These five traits are 1) Openness to Experience 2) Conscientiousness 3) Extraversion 4) Agreeableness and 5) Neuroticism. These five traits are abbreviated as OCEAN.

Openness to experience

This trait refers to an individual's approach to change. Some people readily accept new technology and products. They view change positively and welcome it. But there are others who prefer to stay in their comfort zone and are reluctant to accept new concepts or things. For example, some people might readily welcome a technological advancement in computer software, while some might look at it as a change that requires them to update their computer language skills, something that they may not be willing to do.

Conscientiousness

Conscientiousness is a virtue. A person who keeps in mind the opinion and comfort of his peers, friends, family, and others who co-exist with him while taking a decision, is said to be conscientious. For example, a person might prefer products sold in recyclable packing as they are safer for the environment and therefore to his family and society.

Extraversion

This refers to the disposition of a person who enjoys socializing and exhibits an enthusiasm in getting to know new people. He is curious and keeps himself informed about current happenings around him. He looks forward to foraying into innovative fields and is said to be an extrovert.

Agreeableness

This refers to the compatibility of a person's personality with his surrounding environment. A person's ability to get along with or be amiable to almost everything he comes across is known as agreeableness.

Neuroticism

This refers to the mental or psychological make-up of a person. A neurotic person is one who is easily susceptible to pressure and who worries a lot over small problems. A stable person, on the other hand, is able to handle stress more effectively and doesn't get pressured easily.³⁵

The five-factor theory is thus a tool that helps in studying personality.

THE CONCEPT OF SELF

The concept of self refers to an individual's view about himself. A person's opinion about his tastes, personality, capabilities, and shortcomings, all constitute his self-perception. Marketers have realized the significant role played by a person's self in influencing his behavior as a consumer. Basically, self-concept is how we see ourselves, and how we feel about ourselves. Self-concept can be described as “an image shaped by the very person holding that image”. We buy and use products that reflect our image in order to let others know what image we are portraying. Self-concept is learned over a period of time. There are physical, academic, social, and transpersonal components of self-concept. For example, the physical component of self-concept is related to aspects like our age, sex, height, place of living, etc. Academic self-concept relates to how well we gain knowledge. The social component relates to how well we relate to our fellow beings. The transpersonal component describes how we relate to the unknown. There are four dimensions to self concept -- actual self-concept, ideal self-concept, private self-concept, and social self-concept.³⁶

Actual self-concept is a person's view about herself. It is the assessment being done by the person herself. This sort of self-evaluation can be viewed to be more realistic. For example, “I am a student.” This is a real perception of myself and is what I depict to others.

Illustration 4.3: Self Concept



Ideal self-concept is a person's perception of who he wants to become. It is the ideal self concept that makes a person work hard to achieve success in life. People try to better themselves by gaining better education, job, and so on in order to fulfil their ideal self concept.

Private self-concept is how a person would like to see himself. You may believe that you are a modern, educated, and outgoing person. This is your private self-concept. Marketers cater to the needs of one's self-concept by offering suitable products. Apple Computer's slogan "Think different" instantly differentiates them from competitive computer manufacturers.

Social self-concept is the perception of how one would like to be seen by others. Marketers offer their products as if they could help one attain one's social self-concept. For example, many people want to be seen by others as beautiful. Ads in the media related to cosmetic products cater to this need.

Single and Multiple Selves

An individual is guided by a single image, when his or her actions display a prominent and consistent influence of one specific image that he has of himself. However, a person may also have many roles to play. A woman for example, plays the roles of a mother, a wife, and also a career woman. She may have many images of herself. Thus, it is possible that a person might have multiple selves.

A consumer cannot be assumed to follow a predictable pattern in all his consumptions as if he or she were programmed to do so³⁷ because every individual builds up a self image from his childhood experiences and interactions with parents, friends, teachers, and so on. Research done over the years regarding the role of self-concept in market research provides us with the following insights about a person's self. An individual tries to find a connection between his image and the image of the product he chooses to buy.³⁸ The person may also modify his image according to circumstances, events, and his own needs. For example, the Indian consumer has always used cash to purchase goods and services. By nature, he was cautious and his spending depended on his income. But with the growth of easy credit facilities and an increase in income levels, the spending patterns of the Indian consumer have changed. Today, the consumer depends on credit for everything starting from providing education to his children to spending on a vacation.³⁹

Self and Situational Self

When faced with a specific situation, a person is guided by what he thinks he should do (in keeping with his view of 'self') and what others might think he should do. In short, every person's self image has a bit of social image in it. A person who wishes to attain a specific social image, which he perceives other people have of him will do so by conspicuously avoiding or consuming such products that relate to that image. For example, a person may avoid purchasing clothes made of animal hide (such as fur coats), as this might make other people appreciate his concern for animals.

Every person has an image of himself as an individual, which is called the existing self. The existing self refers to all the present and past experiences and aspirations of a person. Recently, the concept of self has been extended to include the futuristic vision of one's image. This is called the future self. Future self refers to what a person aspires to be in future. The new approach to study self in consumer behavior includes a three-dimensional view of self, i.e., the past, present, and the possible future self of a person.⁴⁰ Thus, a consumer might be influenced by these three types of self in his behavior. Consumers could thus have multiple selves. Which one they adopt depends on the situation and their self also includes their future goals. Therefore, a marketer has to know which role a consumer is playing to effectively position his product.

A marketer has to understand that a consumer's behavior alters with the change in the way he sees his image. And also with the new or better image he is adopting. For example, a consumer who wishes to project himself as a sophisticated and successful executive might opt for branded goods like Omega watches, Arrow shirts, etc. (Table 4.3 shows the relationship between Self Image and Brand's Image).

Table 4.3: Brand Preferences and Self Image

Brand Owned	Their View of a Volkswagen Owner	Their View of a Pontiac Owner	Their Perceived Self
Pontiac	Sensible	More status conscious and less sensible	Flashy
	Creative	More adventurous and less creative	Sporty
	Quality conscious	More pleasure seeking and less quality conscious	Less economical
Volkswagen	Status conscious	More conservative, less flashy	Traditional
	Sporty	More individualistic less sporty	Creative or unique
	Fashionable	More economical less style conscious	Quality conscious

Adapted from Edward L. Grubb and Gregg Hupp. "Perception of Self, Generalized Stereotypes, and Brand Selection." Journal of Marketing Research (JMR), Feb68, Vol. 5 Issue 1.

Consumer Behavior

A study of the brand preferences and self-image of Volkswagen and Pontiac owners was done to understand relationship between the self and the brand's image. The study also provided the views held by consumers of different brands about each other.

Thus this study showed that all the owners of Volkswagens had a similar self image and so did all the owners of Pontiacs. Also the users of the same brand had the same view about the personality or image of the users of the other brand. And the image of a Volkswagen owner was very different from that of a Pontiac owner.⁴¹

Methods of Self-concept Assessment

We saw that self-concept refers to a person's own view of herself. It is always better to assess self-concept through self-report. Some commonly used self-concept assessment methods are mentioned below.⁴²

Rating scales are one of the widely used instruments. A set of statements are provided and the respondent is asked to express his degree of agreement or disagreement. The common type of rating scales are five- and seven-point Likert scales. The responses are then summed to form a score.

In the *Checklist* method of self concept assessment, various adjectives like adventurous, active, fun loving, etc., are provided. The respondent is asked to tick those adjectives that best describe him. All the adjectives are appropriately categorised. Tabulation of the person's choices would give the self concept measure for each category. In this method, the respondents cannot express their degree of agreement or disagreement.

In the *Q-sort technique*, sort cards are provided to the respondent. These cards contain descriptors like 'I am happy' or 'I like music.' The respondent has to sort these cards into a number of piles of increasing or decreasing intensity. Usually about a hundred or more cards are used. Later, the results are evolved using quantitative or qualitative methods. This method is rarely used as it is time consuming.

Incomplete statements are provided for respondents to be filled in *free-response* method. A result is arrived at through qualitative evaluation of the completed statements.

SUMMARY

Personality of a person is the result of his individual traits. Personality distinguishes one person from another. It also determines how and why a consumer behaves in a particular way. A person's attitudes, his values in life, and the influence exerted by the people around him shape his personality. As a person grows up, his personality is altered or modified by the people or events surrounding him or due to his education. However, it doesn't change radically and remains consistent. The chapter also examines the various theories of personality developed over the years. 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 behavior is driven by the unconscious 'motives that a person has and that these motives are influenced by that person's biological drives (physiological needs). This theory, known as the Psychoanalytic theory of personality, projects the personality as the nucleus or the center of the interaction between the three systems of the id, the superego, and the ego. However a group of theorists called the Neo-Freudian theorists disagreed with Freud. These theorists were Carl Jung, Karen Horney, Alfred Adler, and Henry Sullivan. They stated that apart from unconscious biological needs, personality was a result of social relationships (culture and history and other such factors). Carl Jung introduced the four dichotomies: 1) sensing- intuiting, 2) thinking- feeling, 3) extroversion-introversion, and 4) judging-perceiving. His theory provides such insights into the personality of a person that are very useful for the advertising function of marketing.

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: 1) sensing and intuiting and 2) 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. 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 behavior was directed at eradicating anxiety from one's life and reaching a state of tranquility or peace.

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 1) innovation 2) influence 3) materialism, and 4) consumer ethnocentrism as major influencers of behavior. Another theory which highlights the study of the following traits: 1) Openness to experience 2) conscientiousness 3) experience 4) agreeableness and 5) neuroticism (abbreviated to OCEAN) to know a person's personality, is known as the five-factor theory.

Apart from inherent traits, a consumer chooses a product, which has an image that is similar to the view he has about himself. This is called the self-concept. Every person has an opinion about himself or herself. And individuals imagine and associate certain attributes with regard to their tastes and personalities. This image they have influences the products, brands, they buy and even the stores they frequent. Marketer needs to be familiar with the self-concept, as consumers are inclined toward products that match their selves. Thus, the concept of self helps marketers to understand, predict, and direct the purchase decisions of consumers. The specific view a person has about his self is influenced by his own psychological and physiological thoughts. This view also includes the consumer's perception of his self in the eyes of the people around him (social image). Also he sometimes tries to attain the image of a particular person or an ideal image and communicates this to others by taking up or avoiding such consumption (of goods and services) that is reflective of that image. A person might perceive himself to have a single self or many selves. A person's perceived self is not a static concept. The same person has different views about his self at different contexts of time and place. Also the consumers will assume every product to have an individual image. They choose such products or brands that are in congruence with their own self. The marketer has to know which role a consumer is playing and what image he has attached to the product, to effectively position his product. Marketers can use tools such as Q sort, rating scale, checklist to measure an individual's self and also find whether the consumer is able to deduct a link between his perceived self and the product's image.

End Notes:

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Chapter 5

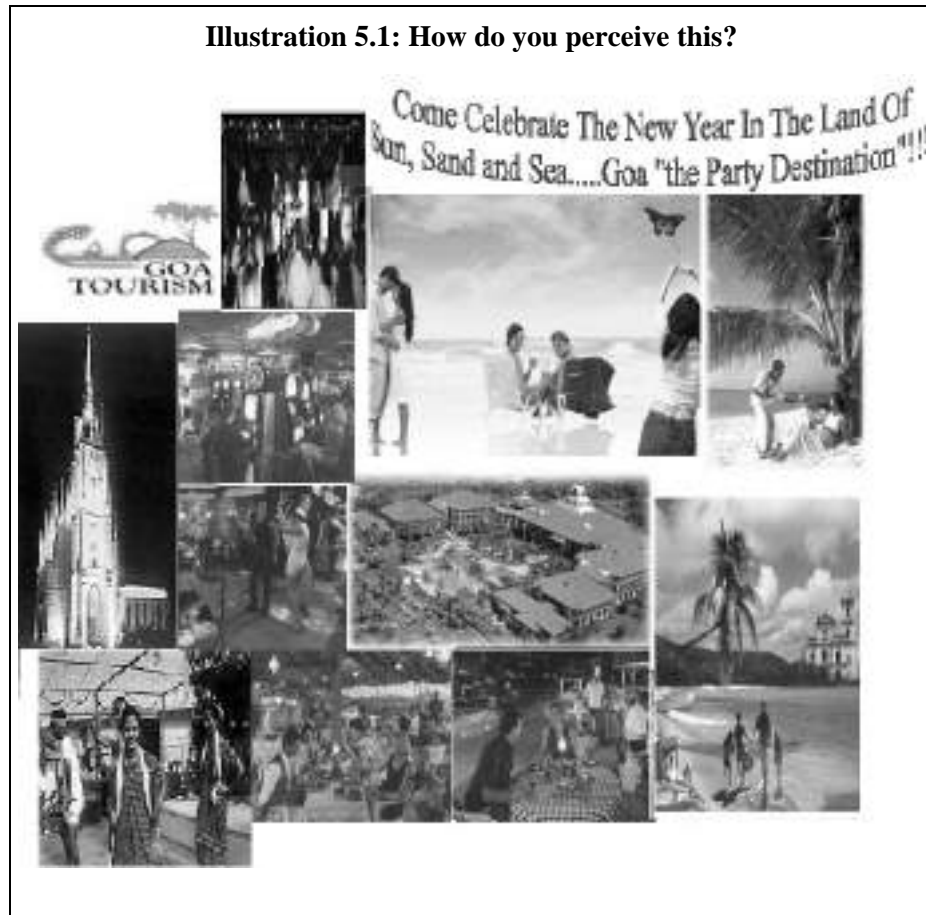
Perception and Information Processing

In this chapter we will discuss:

- Definition of Perception
- Elements of Perception
- Process of Perception and Information Processing
- Consumer Imagery
- Perception in Marketing

Perception and Information Processing

As individuals we come across numerous products and services every day. What are our specific individual thoughts and reactions to them? For example, when we come across an ad in a magazine regarding a New Year party celebrated at Goa, what are our thoughts? Some may think of Goa as the perfect place to unwind after a year of hard work, some may feel that it would indeed be great fun to visit Goa and celebrate New Year's eve there, others may think that it is always a great place to visit at any time of the year due to its unique culture, some might see it as yet another example of the East aping the West, while others may think events like these will be good for the economy of the country.



Source: www.goa-tourism.com

Thus, different people hold different opinions about the same things and events. This is because each person has a specific way of looking at things. Every individual thus has a 'Perception' of the world around him or her.

DEFINITION OF PERCEPTION

Perception is defined as "the process by which the individual selects, organizes, and interprets stimuli into a meaningful and coherent picture of the world¹". Thus perception is the opinion he forms about a product by seeing its packaging, the colors used (both in the packaging and product), the symbol of the brand, and the logo associated with the brand in the market.

ELEMENTS OF PERCEPTION

The elements of perception are sensation, absolute threshold, differential threshold, and subliminal perception. These are discussed in the following sections.

Sensation

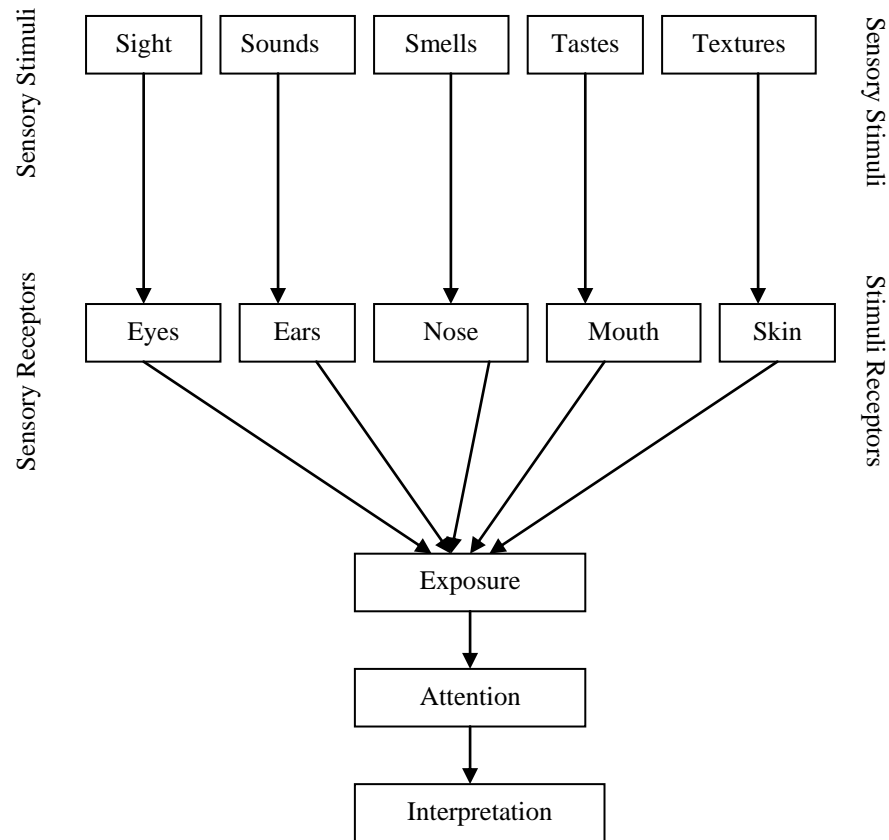
When a person is exposed to any of the marketing stimuli or an ad, the first reflex that is initiated in him is known as sensation. For example, when we come across a beautiful ad of a Mercedes Benz 'E-class' on the center spread of a magazine, our first reaction will probably be one of admiration. As we enter a bakery we may smell the mouth-watering aroma of freshly baked cakes. We can feel the energy in the pulsating music played at a disco. We can taste the goodness of our mother's love in the food she gives us.

Illustration 5.2: Sensation



Thus, how we respond to a stimulus received by any of our five senses is called sensation. And perception is how we understand a sensation and co-relate it with our needs and personality. Marketers are aware of the influence perception has on purchase decisions of consumers. Therefore, they try to advertise their products in such a way that they will appeal to the consumer's senses. They not only try to leave a mark on the consumer's mind, they also try to provide him with cues to perceive the product in a specific way. For instance, the thundering light in the Rin detergent ad may lead the consumer to expect that kind of cleaning for his clothes. The Raymond fabrics advertising on the concept of 'feels like heaven' wants to create a perception in consumers that these fabrics are the best and most comfortable ones available. Thus the marketer tries to associate a range of feelings and emotions with all the stimuli they use in their communications. The perception process is shown in Figure 5.1.

Figure 5.1: Perception Process



Adapted from Michael R. Solomon, "Consumer Behavior: Buying, Having, and Being," (Pearson Prentice Hall, First Indian Reprint, 2004), 49.

Generally, marketers use bright colours, innovative concepts, different visual effects, etc., to catch the attention of consumers. This is known as increasing sensory inputs in the ads and may work really well. However, if overdone, people will ignore them as the novelty fades away. This explains why advertisers sometimes resort to unconventional means to ensure the deepest impact. For example, Hutch advertised its services through a television advertisement where the entire TV screen becomes blank for a few seconds, long enough to catch viewers' attention before the familiar 'U and I' song starts playing with visuals.

Some individuals may be very receptive and can immediately sense the message that an ad is trying to convey, while others might not be quick enough to sense it. Thus, an ad with minimum sensory input can be interpreted by some and not by others. For example, some can sense from the bright colors and peppy music of Coca Cola ads that it's a drink associated with fun and entertainment. But to evoke a similar kind of feeling in others, a celebrity endorsement may be necessary. Therefore, people are not only different in the way they perceive things but also in the level at which they perceive the stimuli.² Some people may be visually more perceptive while others may be more verbally perceptive. Therefore, marketers need to use more words for marketing some products and more pictures for marketing others to help customers perceive the message in the way it is intended.³

Consumer Behavior

Absolute Threshold

The lowest degree of sensory inputs at which the consumer becomes aware of a sensation is called the absolute threshold. For example, a beautiful jingle about a new shoe polish being aired on the radio in a crowded hotel on a Monday morning may not catch anyone's attention. This is because people may be very busy or there may be so much noise that they cannot hear the jingle. In other words, the stimulus falls short of the threshold of the human sensory system. However, if the same jingle is broadcast in the evening or night, a lot of people will hear it and also probably remember it. The marketer's job, therefore, is not over once the ad is made, it is also important for him to ensure that it is noticed.

Differential Threshold or Just Noticeable Difference (JND)

Advertisements must be designed to have at least those many sensory inputs as will initiate a sensation in the consumer. For example, the hoardings for Orora diamond jewelry seem to beckon to consumers with their exquisite models and opulent designs. In addition, the marketer's ads must be reasonably distinct from those of competitors.

The minimum level of difference that a consumer can make out between two stimuli that he receives is called the differential threshold. In other words, it is the minimal amount of change in a stimulus that can be consciously detected by a person. Stimuli are actually perceived in the brain, while the sensory organs gather the signals. Ernst Weber, a German anatomist and physiologist, stated that the degree of differential threshold or just the noticeable difference of a subsequent stimulus is dependant on the intensity of the preceding stimulus. For example, if the price of a luxury vehicle is increased by Rs 10,000, it might not lead to a prospective customer changing his mind about buying it. However, if the increase, is say, Rs 50,000, it will definitely be noticeable and the customer would probably have to take another look at his choices. On the other hand, if it is a motorbike that is in question, the price increase of Rs 10,000 would be substantial.

Introduced by Weber, the differential threshold (or Just Noticeable Difference) is the minimum amount by which the stimulus intensity must be changed in order to produce a noticeable variation in sensory experience. Symbolically, Weber's law can be represented as:

$$\Delta I = kI$$

Where, I stands for initial intensity, k stands for a stimulus specific constant, and ΔI stands for JND.

This equation explains the degree of change in the stimulus of the marketer's ad for the customers, in response to his competitors' ads. For instance, Amul the leading dairy products company in India, keeps changing its 'moppet', the Amul girl, to reflect the changes in society. Thus, Amul ads add the required JND from time to time to get the brand noticed and to differentiate itself from its competitors.

Marketers therefore use JND to determine the degree of change to be made to secure the attention of consumers. The change here refers to i) using JND to determine how much variation in price of a product can actually make a difference⁴ or ii) in determining how the packaging of the product has to be altered to secure the consumer's attention. Marketers thus make use of JND to cope with competition, to attract consumers with a reduction in price, or to market products in attractive and innovative packaging and design. These are called the positive uses of JND.

Illustration 5.3: Amul Changing its Moppet for JND



Source: www.amul.com

On the other hand, marketer normally try to incorporate a change that is just short of JND and hence can't be perceived by the consumers. They reduce the size or quantity of their product in such a way that the consumer is unaware of it and pays the same price for the product. In this way, marketers can try to take advantage of an unsuspecting customer.⁵

Subliminal Perception

Subliminal can be literally termed as subconscious. The subconscious mind of an individual stores everything that he experiences.⁶ Normally, this process takes place without the actual awareness of the person because the threshold level for actual awareness is higher than that of actual perception.⁷ Messages that are not consciously registered in our memory are called subliminal messages. Marketers use many stimuli to grab the attention of the consumers. Generally, marketers do this with the knowledge of the consumer. However, when they try to stimulate the subconscious of the consumers toward their products, it is known as subliminal perception.⁸ Marketers use the sensory inputs in a degree lower than the minimum level required for them to reach the consumer's sensory threshold.⁹ Examples of subliminal stimuli are concealed figures, use of imperceptible audio messages, fleeting visual images, accelerated verbal communication, and so on. James Vicary¹⁰ in 1957 was the first to use subliminal perception. He conducted an experiment in a cinema theater in Ft. Lee, New Jersey, on increasing the sales of Coca Cola. By placing a tachistoscope¹¹, he projected the message "Drink Coca Cola and eat popcorn" on the screen as the movie was being played. This message was flashed for only 1/3000th second at a time, once every few seconds. He claimed that as a result of the experiment, there was an increase in the sales of Coke and popcorn by 18.1% and 57.8% respectively. However, Vicary never did release a detailed description of his study and there has been no independent evidence to support his claims. In spite of the absence of concrete evidence that subliminal messages increase sales, some advertisers and film-makers continue to use them in the belief that they will enhance the effect of their advertisements or films.

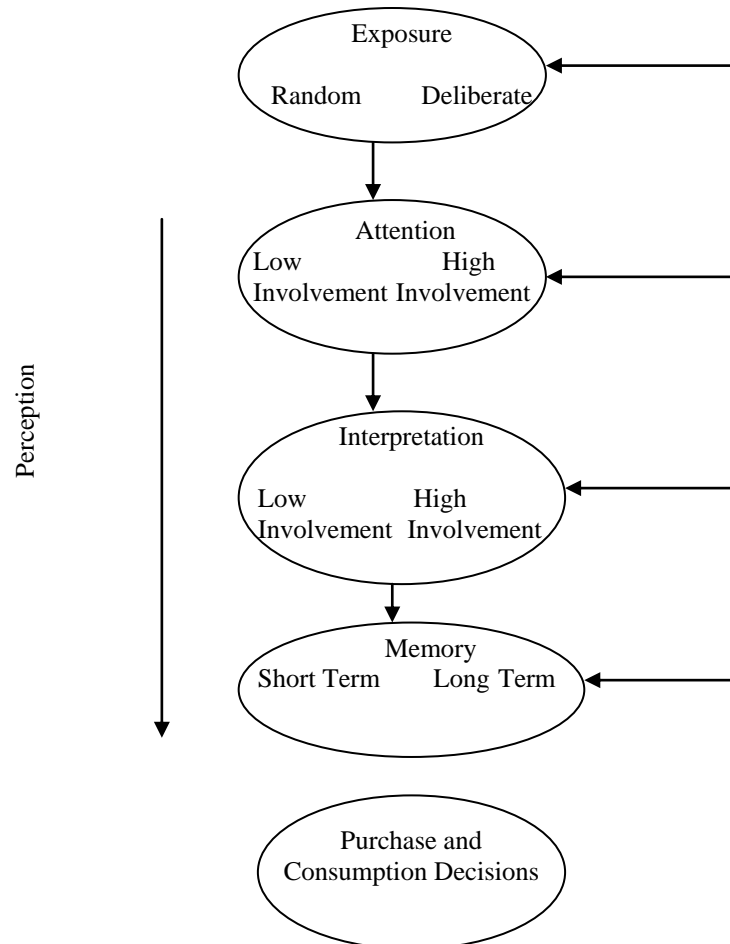
Consumer Behavior

Using subliminal perception as a marketing tactic is a controversial topic. Consumers feel that any method that is used which makes them want to buy goods without their conscious knowledge is wrong. However, people welcome the use of subliminal perception in self-improvement programs that help in weight loss or to quit smoking, etc. In fact, it was found that messages discouraging shoppers from stealing products from super markets¹² had a positive influence on some people. Marketers feel that subliminal advertising is helpful only for customized ads and if such messages were present in the ads, they could only be detected by careful observation. In the light of the above reasons many marketers conclude that more often than not, subliminal advertising is not worth the effort.¹³

PROCESS OF PERCEPTION AND INFORMATION PROCESSING

Information processing is a series of activities where the stimuli are perceived and then transformed into information and subsequently stored. The information processing is the sequence of steps as shown in Figure 5.2.

Figure 5.2: Information Processing for Consumer Decision Making



Adapted from Del I. Hawkins, Roger J Best and Kenneth A. Coney "Consumer Behavior", Building Marketing Strategy, Seventh Edition, McGrawHill Company, 1998

Exposure

Exposure occurs when our senses deduct any external cues from the various things we come into contact with. As individuals, we are exposed to advertisements day-in and day-out from various sources. The exposure to ads is the starting point of information processing. To get maximum consumer viewership, it is important for advertisers to select the appropriate media. The timing is also very important. While processing the information, perception takes place at the point at which the consumer becomes aware of the various products available in the market. When the person looks at the advertisement, his senses get stimulated. Stimulation takes place through the five senses of a human being. Marketers can vary their messages in order to have a positive impact on the consumer's stimulation process. Therefore, marketers can derive the maximum benefit from their advertisements if they ensure that stimulation takes place at the right time at the right intensity. Exposure to marketing messages most of the times is unintentional except when an individual actively searches for information regarding a specific product or service¹⁴.

Selective perception

Given the situation that the consumer is being constantly bombarded with advertisements through all the available media at all times, it becomes a very difficult task for advertisers to catch the attention of consumers. A marketer therefore has to understand that every consumer in the face of information overload from advertisements involuntarily adopts a selective perception process. By this process, the consumer perceives only those advertisements that he feels are relevant to him and ignores the rest. The process of selective perception has the following four steps:¹⁵.

i) Selective exposure

Consumers will avoid ads or information that might contain unpleasant information or any other information that they consider undesirable. They normally look for ads that are positive and look desirable.

ii) Selective attention or perceptual vigilance

Each consumer has different motives in buying a particular product. So they will search for such data in advertisements and choose such specific products that they think will help satisfy their needs. For instance, in buying detergents, although the primary motive would be to get rid of dirt from clothes, other factors like economy, suitability in hard water, or care for clothes may find favor with different persons.

iii) Perceptual defense

The threshold of recognition varies among persons and might even vary for a person at different times¹⁶. The past experiences of the person and his emotional state play an important role in this process. Consumers may screen out stimuli that they want to avoid. For instance, an individual may close his eyes at certain places while watching a horror movie in order to avoid scenes that may upset him.

iv) Perceptual blocking

Sometimes, consumers will perceive the product to be of no use for them and so they don't bother about it or don't make an effort to remember it. For example, a housemaker flipping through the pages of a magazine may not read an advertisement by Durian for office décor as it may be of no use to her.

Consumer Behavior

Measures to overcome selective perception

- Marketers can use innovative concepts in their ads to catch the attention of potential consumers. For example, use of colors, innovative visuals, and music may help in advertisements getting noticed by the prospective customers.
- Marketers can give their ads maximum media exposure so that the consumer comes across them frequently.
- They could tactically expose people to the ads at strategic times, places, and in relevant contexts. For example, airing advertisements of Castrol GTX engine oil featuring Rahul Dravid during a cricket match, helps to successfully deliver its intended message.
- While sponsoring programs on television, marketers have to select such programs that have relevance to the prime viewers of the program. For example, the best time to advertise a brand of chocolates is during a cartoon program on television.

Attention

Individuals normally recall only a part of all the information that comes their way through the various media. Exposure occurs when data comes into contact with any of the five senses of a person. When this sense organ sends a message to the brain it starts analyzing the information. Marketers normally follow innovative methods to advertise their products so that they easily catch the attention of the target audience. For instance, Pidilite industries' Fevicol ads have been catching the attention of customers through their innovative approach. One such ad shows a lot of people hanging out of a bus traveling on a bumpy road. The idea that they wanted to convey is that these people won't fall apart as they are joined with Fevicol. The visual impact of the ad catches the attention of the audience instantly. Once the advertisement catches the attention of a person, the product also gets easily noticed. Getting a person's attention depends on the stimulus, individual factors, and situational factors that are discussed below.

Illustration 5.4: Fevicol: Catching the Attention



Perception and Information Processing

Stimulus

Anything that initiates an individual to take action is said to be a stimulus. Marketers try to stimulate consumers through their advertisements to purchase their products. The physical characteristics of an individual that determine the degree of attention of a receptor are:

- **Size and Intensity:** The larger the stimulus (a full page ad, bright colors of packaging, etc.,) the greater the chances of the ad being noticed. The number of times a person is exposed to a particular advertisement also has an impact on the intensity of his response.
- **Color and Movement:** Snazzy eye catching or contrasting colors help marketers in gaining the attention of consumers.
- **Position:** The position of the object in the visual field also affects the response generated. Marketers therefore try to position their products near the center of the visual field in order to ensure that the customers notice the product easily.
- **Isolation:** Separating the object or isolating it also influences the intensity of the stimulus it provides. For instance, a newspaper advertisement with a lot of white space and very little text stands out in a clutter of advertisements filled with text.
- **Format or Design of Ad:** Different fonts, calligraphic text, layout of the advertisement also influence the stimulus.
- **Contrast or Distinguish:** The visual impact of messages in contrasting colors is higher and people invariably pay more attention to them and as such are more likely to read the message.
- **Information Extent:** The advertisers must understand that they should avoid overloading the consumers with information that they cannot process. Providing precise information generally works and acts as a stimulus to consumers rather than overloading them with information.

Individual factors

The attention of the consumer depends on the following factors:

- **Interest and need:** As mentioned earlier, the consumer pays more attention to the advertisement when he perceives a need for the product being advertised and when he is interested in what the advertisement offers him. For example, a person interested in purchasing a car through installments pays a lot of attention to ads relating to car loans.
- **Ability:** Individuals differ in the way they understand the information and retain it. Marketers must understand this and develop their messages accordingly. For example, it was found that unlike people in urban areas, consumers in the rural parts of India did not understand advertisements that were witty, intelligent, highly technical, and fast-paced.¹⁷
- **Involvement:** A consumer is said to be more involved in a product if he spends considerable time in collecting data about it. He may also spend a lot of time in reaching a careful and prudent purchase decision.

Situational factors

The setting in which the consumer is exposed to the stimuli also determines how much attention he will pay to the ad. For example, a family with a toddler cannot shop comfortably when the baby is crying and they may also not pay attention to point of purchase displays or any such other advertising.

Consumer Behavior

Interpretation

Interpretation refers to the meaning the consumer derives from the ad presented to him. How a consumer understands the stimuli presented in the ad depends on his personal views. Consumers generally interpret products and their packaging in their own way. Their learning and experience and expectations from a product influence their interpretation. For instance, an annual clearance sale of clothes at a retail outlet may induce a customer to make purchases there if she has had a previous experience of finding good deals at such sales. On the other hand, another consumer may believe that a clearance sale is a common method of selling faulty and out of fashion clothes at a marginally lower price. Thus the meaning each attaches to the sale depends on his or her past experience or cognitive learning.

Interpretations thus differ significantly from person to person. Consider for instance, western society where the concept of living away from parents is a common thing. This is not the case with Asian countries. Thus, cultural differences among people may lead them to perceive things differently.

Semiotics is the process through which consumers correlate various symbols and signs with certain beliefs, perceptions, etc. Understanding semiotics helps marketers understand how consumers interpret the symbol and colour of the product, brand logo, and message. Consumers often buy a product for the following reasons: 1) for what it means to them rather than what it actually is and 2) to project a specific social image by conspicuous consumption of certain products. Each advertising message has certain important components that are designed in congruence with the consumer's semiotics and these are described below.

Icon: When the logo resembles the object, it is said to be an icon. For example Nescafé coffee has a picture of a mug of steaming coffee and fresh coffee seeds, which gives the consumer an idea about the product.

Index: When a sign is chosen to represent a specific quality of the product, it is called an index. For example, Dettol uses the + sign on its product to assert its medicinal properties. Cadbury, the leading chocolate company in India, has an illustration of two glasses of milk on the wrapping of its Dairy Milk chocolate. This supports the company's claim that the chocolate has the goodness of milk.

Stimulus characteristics

The packaging of the product, the way it is advertised, the sales promotional activities related to it, all determine how the product is going to be interpreted by the consumer. For example, Real fruit juice from Dabur Foods comes with bright colorful pictures of fresh fruits on the cartons to emphasize the freshness of the juice. Bisleri packaged drinking water of Parle is packed with a tamper-proof seal so that its quality can be effectively communicated. And it is not only the packaging but also the music or the visuals of the advertisement that help in interpretation.

CONSUMER IMAGERY

The relationship between the consumer's self image and his perception of the image of the product is called consumer imagery. Every person has a view about himself. One might think about oneself as a cheerful person, an adventurous person, and so on. Every individual has an opinion about his personality, tastes, disposition, capabilities, etc. This opinion gives shape to an individual's personal image, also called self-image. Efforts made to understand consumer behavior, have supported the idea that the consumer's view about himself determines the type of products or services he chooses¹⁸ Consumers don't just see the monetary value of the product they also visualize the product's image, as though it were an individual.

Product Image

As discussed, the consumer has a perception of his image and also that of the product. When he feels there is a match between his self-image and the perceived image of the product, he may purchase it. Exhibit 5.1 further discusses the relationship between a person's self-image and his perception of a product's image, in the market situation.

Exhibit 5.1

Self Image and Product's Image

A study conducted by TNS to understand how consumers in India choose a car, brought to light the changing perceptions of an Indian consumer in the car market. The study revealed that consumers were deviating from being the typical utility conscious seekers. Today, consumers are not motivated by the value for money concept or the technical features of the vehicle. They perceived that specific cars had a distinct image. And consumers preferred the car that had an image similar to their self-image. Here are some of the images the consumers expected their cars to have.

Some wanted a sporty and fashionable car that matched their flamboyant personality. Some wanted a car that would help them project high social status and wealth. Some preferred Sports Utility Vehicles, which matched their adventurous nature. Some wanted flashy, attractive cars, which were high on technology; they felt such cars also (according to them) helped to make them more attractive to people of the opposite sex. In this way, when a consumer sees an advertisement, he visualizes the product and if this image matches with his self-image, he will probably end up buying the product.¹⁹

Adapted from "New car buyers in India seek emotive needs: TNS study"
<http://www.indiantelevision.com>.

Services Image

While it is easy to understand how a consumer perceives a product, as it is tangible, it is more difficult in the case of marketing of services. Services are intangible and consumers form a perception about them only if they utilize them. The best way to tackle this is to use extensive advertising to help consumers visualize the nature and quality of service. For example, ICICI Bank's marketing communications normally help consumers visualize the nature and quality of their services.

PERCEPTION IN MARKETING

Marketers have realized that understanding the perception process of the consumers helps them to design better advertising strategies. They normally develop their brand, logo, packaging, and design of the product in such a way that the consumer notices it and understands the product easily. Also, they try to develop an image for their products and services.

Brand Development and Perceptual Mapping

While developing the brand, it is imperative for the marketers to ensure that the brand reflects the image of the product as perceived by the consumers. To develop a successful brand, marketers often use Perceptual mapping, which is a method wherein consumers are asked to list the traits they would associate with a product and also to write down all the adjectives they would use to describe it. This information greatly helps marketers in developing an appropriate brand image.

Consumer Behavior

Marketers take special care in developing the logo, which is the verbal or pictorial representation of the brand. For example, the logo of the Aditya Birla Group of companies in India is a rising sun. According to the company, the logo represents the company's outlook, which is positive thinking and also a stress on values such as integrity, quality, and performance.

Illustration 5.5: Logo of the Aditya Birla Group



Source: www.aditya-birla.com

Retail Stores

In the retail setting, all the products of a similar category will normally be in direct competition with each other. The brand image, the external features of the product, the point of display are some of the crucial factors that have to be considered in a retail store to gain the attention of the consumers. Brightly lit aisles and distinct point of purchase displays in stores normally attract the attention of consumers. The store design, the interiors, and the location of the stores also are some other important factors. For instance, the international brand Hugo Boss dealing in apparels and accessories, has only two showrooms in India -- one in Mumbai and the other in Delhi and it plans to open one at Bangalore. Hugo Boss caters to the higher end of the market. The price and the fewer number of stores thus serve to assert the distinctiveness of the brand.²⁰

SUMMARY

Perception is the process through which a person forms an opinion about the various stimuli he receives from his sensory organs. In marketing, perception is concerned with understanding how the consumer views a product or service. The five senses of a person help him in this process. The marketer uses various props to stimulate the consumer, that is, through the use of colors, sound, touch, taste, or smell, to observe the product. The marketer must distinguish his message from the competitor's message. This is when Just Noticeable difference (JND) comes to their aid. JND is the minimum difference that the consumer can detect between two stimuli he receives. It helps the consumer to distinguish changes in prices among purchase alternatives.

Marketers thus use stimuli to grab customers' attention and most often these efforts are clearly visible and known to the customer. However, they sometimes use indiscernible stimuli that are just below a consumer's threshold so as to influence him. This is called subliminal message. Of all the stimuli a consumer comes into contact with, he pays attention to only a few and interprets the messages that he remembers. This is called the process of perception and has the three steps: 1) exposure, 2) attention, and 3) interpretation.

Perception and Information Processing

How well the consumer pays attention will depend on the stimulus, and also the consumer's interest and need for that product. The consumer interprets the information in two ways: 1) the literal meaning or the semantic meaning and 2) the psychological meaning. Hence we are guided by our learning as well as the semantic meaning of a word. A consumer also interprets the symbols and other physical features of the product on the basis of his experience and cultural beliefs. This is called semiotics.

Marketers make use of perception to formulate marketing strategies. The marketers use a perceptual map, wherein they find out the attributes or the characteristics that the consumer associates with the product and they create the product accordingly. Thus, development of a brand or the logo of the product, packaging of the product, etc., have to be made keeping the consumer's perception in mind.

End Notes:

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- ¹⁰ "Subliminal Advertising" <<http://www.snopes.com/business/hidden/popcorn.asp>>
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Chapter 6

Learning

In this chapter we will discuss:

- Defining Learning
- Characteristics of Learning
- Behavioral Learning Theories
- Cognitive Learning Theories
- Brand Loyalty

ICICI Prudential has been advertising its retirement solutions through the “Chintamani” campaign.¹ The focus of this ad campaign has been on educating consumers about its solutions, which provide tax savings and investment options. With this campaign proving hugely successful, the company has taken several other initiatives to educate the consumers about the importance of financial planning. For instance, it has started a radio program where a tax planner by the name “Chinatanmani” offers advice to listeners on financial planning. This apart, the company frequently organizes seminars and workshops in major cities and towns to educate the consumers about the importance of retirement planning. The company also recently tied up with Mumbai’s *Dabbawallas*, who deliver lunch boxes to thousands of office-goers in Mumbai, to direct market its financial services. ICICI targeted the office-going segment and sent direct mailers to them through the *Dabbawallas*.

ICICI’s sole intention has been to educate the consumers about the services it provides and the related attributes and benefits. Marketers have begun to realize the importance of teaching the consumer about their products and services and how these products and services would benefit him. Educating the consumer is essential because an uninformed consumer is unlikely to purchase products he is not aware of. Moreover, he may opt for the wrong products when he has inadequate information regarding product choices. If a marketer is to teach and educate the consumer, it is very important that he understands the learning process of the consumer.

In this chapter we will discuss learning and its characteristics, and behavioral and cognitive learning theories. We will also discuss involvement theory. The chapter ends with a discussion on brand loyalty, brand equity, product positioning, and brand leverage.

DEFINING LEARNING

Psychologists define learning as “behavioral modification especially through experience or conditioning.” In simpler words, learning is the process of gaining knowledge. Understanding the consumer learning process has been of much interest to marketers and several researchers have carried out studies to understand the process. It is normally assumed² that consumer learning takes place from exposure to external stimuli such as advertising, word of mouth publicity, and also by experiencing the products per se. It is also believed that consumer learning takes place by a process of internal knowledge transfer. This means that the consumer learns about new products by transferring the knowledge he already has about a similar product to the new product.

It is important to understand that learning is a continuous and on-going process. Psychologists have proposed two major learning theories -- Behavioral learning theories and Cognitive learning theories. According to behavioral learning theorists, learning takes place as a response to external stimuli. Cognitive learning theorists state that learning is purely a mental process involving the processing of information. Although scientists have proposed different theories regarding the learning process, they fundamentally accept that motivation, cues, response, and reinforcement are the basic characteristics of learning.

CHARACTERISTICS OF LEARNING

The consumer learning process varies from simple learning as a response to external stimuli, to complex information processing where the consumer thoroughly analyzes the available information. In the following sections, we will discuss the characteristics of learning.

Consumer Behavior

Motivation

Consumer behavior is goal-oriented and these goals have an impact on the day-to-day decision-making of consumers regarding the products and services they purchase. However, much research has been done on how these goals impact the consumer's everyday purchase decisions. Motivation is dependent on goals and needs and it stimulates learning. The consumer decision-making process is influenced by individual, situational, and cultural factors of motivation³. We can therefore infer that motivation is necessary for consumer learning. For instance, if a person is interested in becoming a professional photographer, he will be motivated to obtain as much information on professional photography as possible. He will search for information regarding the types of cameras available and their features; he may even join a course on professional photography to enhance his skills. On the other hand, those who are not interested in professional photography will not pay any attention to such information, as it holds no relevance for them. In short, we can say that the significance a product or service has for a consumer determines his motivation to seek information about it.⁴

Cues

We have learned that motives stimulate learning. Cues are the factors that drive these motives in a particular direction. For instance, an advertisement regarding a course on professional photography may act as a cue for people interested in pursuing it as a career. The consumer purchase process is normally dependent on the consumer's expectations regarding the performance of the product. These expectations are in turn based on product cues and the consumer's knowledge, on the relationship between the product cues and its performance. It is generally believed that consumers who cannot learn to use the cues properly to help them in the purchase process, have to be protected by legislation so that they do not fall prey to the false claims of advertisers.⁵ It has been observed that consumers can generally distinguish between brands if the brands possess different attribute cues such as price, packaging, and so on, that predict the quality of those brands. On the other hand, if two brands share similar attribute cues, then consumers will not be able to differentiate between them and as a result, they will treat such brands as commodities.⁶ It is therefore important for marketers to distinguish their brands by using appropriate attribute cues from their competitors and meet the expectations of the consumers in order to survive in the market.

Response

We know that the cues are the factors that drive the consumer's motives in a particular direction. The consumer's behavior toward a drive or a cue constitutes response. Marketers normally provide cues to the customers in anticipation of a positive response, i.e., a consumer purchase. However, the cues may not always result in an immediate purchase, but may help the customer in developing a positive image of the product and may induce him to purchase that particular product in future. For instance, a consumer who frequently comes across advertisements for holiday packages provided by a particular tourist operator may not immediately respond to the advertisement. However, if he decides to go on a holiday some time in the future, he may opt for the services of that particular tourism operator. It has to be noted that consumer response to a cue depends on his previous experience and learning. For example, if a person is thirsty, he may want to have Pepsi or Coca-Cola or some other cold drink or he may simply want to have plain water. His response to this need will depend on how his earlier responses were reinforced.

Reinforcement

The probability that a given response will be repeated in the future can be termed as reinforcement. Marketers always try to positively reinforce the responses of the customers. If a customer is rewarded for a particular response, he is most likely to repeat the behavior. On the other hand, negative reinforcement makes the customer avoid such a response. For example, a customer may buy an anti-dandruff shampoo based on its ad-campaign. If the shampoo is effective in removing dandruff, he may use it again in the future, as the learning has taken place through positive reinforcement. But if it is ineffective, the learning is said to have taken place by negative reinforcement -- the customer may never associate this brand of shampoo with anti-dandruff properties and may not purchase it in future, even if the company resorts to heavy advertising of the shampoo. It is therefore extremely important that companies strive to positively reinforce their products and services.

The characteristics of learning that we have discussed will help in understanding the learning theories given in the next section.

BEHAVIORAL LEARNING THEORIES

According to behavioral learning theories, learning takes place as a response to external stimuli; when an individual reacts to a known situation in a predictable manner. Behavioral scientists do not give importance to the internal thought process, as they give to the stimulus input and the resultant behavior. The two important behavioral theories of learning are: classical conditioning and instrumental conditioning.

Classical Conditioning

Proponents of classical conditioning are of the view that human beings and animals can be taught to behave in a particular manner by conditioning. Conditioning can be defined as “a learning process in which an organism’s behavior becomes dependent on the occurrence of a stimulus in its environment⁷.” Classical conditioning is said to occur when a response to a particular stimulus is combined with another stimulus that brings about the same response. Ivan Pavlov, a Russian physiologist, was the pioneer in conducting research on conditioning. He conducted experiments on more than 60 dogs in a custom-built Russian lab with around eight sound-proof rooms.⁸ When the dogs were hungry, Pavlov sounded a bell and immediately applied a meat paste on their tongues that resulted in the dogs salivating. He repeated this process (sounding the bell and immediately applying meat paste on the dogs’ tongues) several times. Over a period of time, the dogs learned to associate the sound of the bell with the meat paste and they started to salivate on just hearing the bell.

In this experiment, the meat paste can be considered as an unconditioned stimulus as it is natural for dogs to salivate for a meat paste. On the other hand, the sound of the bell is considered as a conditional stimulus as the dogs learned to associate the sound with the meat paste and started to salivate when they heard it. Marketers, thus consistently highlight their product’s positive aspects through advertising. For instance Tata Steel’s advertisements highlight the product’s strength and quality. So the moment you think of quality and strength (unconditioned response) of steel for constructing your house, you think of Tata steel (conditioned response).

Some researchers believe that optimal conditioning (the creation of a strong association between the conditional stimulus and unconditional stimulus) is necessary to evoke positive responses from consumers toward the marketer’s offerings. For optimal conditioning to occur:

Consumer Behavior

- The conditioned stimulus (CS) should precede the unconditional stimulus (UCS). This is known as forward conditioning.
- There should be repeated combinations of CS and UCS.
- CS and UCS should logically relate to each other.
- CS should be new and unfamiliar.
- CS should be relevant symbolically or biologically.

The three most important aspects of classical conditioning are repetition, stimulus generalization, and stimulus discrimination.

Repetition

In an attempt to create favorable attitudes toward their products, marketers increase the number of times people are exposed to their ads. If the association between the conditional and unconditional stimulus is consistently repeated, it increases the stimulus response association and individuals will not easily forget such associations. This is one of the reasons why marketers repeatedly advertise their products and services with a strong combination of CS and UCS, so that consumers remember such associations strongly. For instance, Pepsi and Coke advertise regularly on TV when people watch cricket. These messages are most often linked to cricket. This is done to induce customers to think of drinking Pepsi or Coke while watching cricket. Research has indicated that increased exposure to an advertisement initially leads to a favorable attitude. However, it is believed that there is a limit to such repetition, and that repeating an advertising message beyond that limit will result in a decline in the attention of the customer. This phenomenon is referred to as advertising wearout. In order to reduce this wearout, researchers have tried to analyze the effects of variation strategies, where the advertising message varies from time to time. They have identified two types of variation strategies -- cosmetic variations and substantive variations. In cosmetic variations, changes in endorsers, layouts, and print formats are made without making any changes in the message content, whereas in substantive variations, the message content is changed without any changes in the cosmetic features of the advertisement.⁹ Normally, FMCG companies resort to cosmetic variations in their advertising messages.

Cosmetic variations concentrate on the peripheral features rather than on the actual product. Conversely, substantive variations focus on providing the actual product information. It has been found that both these variation strategies induce a positive attitude among individuals. However, the process underneath the attitude formation of individuals differs. For instance, substantive variation strategies will help the formation of positive attitudes in those people looking for product related information, such as high involvement¹⁰ purchases like automobiles. Cosmetic variation strategies, on the other hand, will help individuals in storing product related cues in their memory, especially in the case of such as low involvement products as shampoos, soaps etc., since the purchase of these products by a customer is dependent on his product recall ability.

Stimulus generalization

Learning is not just based on repetition it is also based on the individual's capability to generalize things. For instance, Pavlov found that the dogs had learned to salivate not just at the ringing of the bell but also when they heard certain similar sounds like that of jangling keys. It is this ability for stimulus generalization, where individuals respond similarly to mildly different stimuli, which aid in the learning process. Stimulus generalization is the reason why most imitation and fake products in the market succeed. People producing fake products that look almost like the original brands will successfully sell their products in the market taking advantage of the stimulus generalization of consumers who confuse these fake products with the

original ones. Such fake products create huge losses to the established brands. This is the reason why agencies like the Brand Protection Committee of the Federation of Indian Chamber of Commerce and Industry (FICCI) take regular steps to protect established brands. (Refer Exhibit 6.1)

Exhibit 6.1

Fate of Fake Products

The Brand Protection Committee of the Federation of Indian Chamber of Commerce and Industry (FICCI) along with the Union Ministry of Consumer Affairs destroyed around 700 kg of fake products of popular brands in the market such as HLL, Dabur, P&G, etc., on the March 15, 2005, World Consumer Rights Day. The move was aimed at creating widespread awareness about the existence of fake products in the market.

Adapted from "Fake Products Destroyed." The Hindu, March 16, 2005.

Stimulus discrimination

Stimulus discrimination is the opposite of stimulus generalization. This is a process where a specific stimulus is selected from a group of similar stimuli. Marketers try to convince their customers to differentiate their brands from cheap imitations and urge them not to purchase such products. Companies develop product and brand positioning strategies to help customers identify their brands distinctively.

Instrumental Conditioning

Instrumental conditioning, like classical conditioning, needs an association between stimulus and response. However, in instrumental conditioning, the stimulus that provides the most rewarding response will be learned. Instrumental conditioning is also known as operant conditioning. Unlike classical conditioning, the response to stimuli here is active, where the organisms seem to actively respond to stimuli, provided it is positive. If a response to stimuli is positive and satisfying, only then is the individual more likely to repeat the behavior in the future. On the other hand, if the response is less than satisfying or negative, the individual is likely to avoid repeating the behavior.

B.F. Skinner, a behavioral scientist, conducted some experiments on pigeons. He created a box popularly known as Skinner box. A pigeon was placed in the box and as it moved around, it hit a bar placed in the box, resulting in its receiving food pellets. The pigeon started hitting the bar more often as this behavior resulted in the reward of food. According to Skinner, most individual learning takes place in controlled environmental conditions where the individual is rewarded for behaving in a specific manner.¹¹ A marketing example for instrumental conditioning would be a person purchasing groceries from the same store every month, since she is able to purchase all she needs in a month from the same place and at affordable prices. Here, the person's behavior is rewarded by the store's variety of products and economical prices. As a result, she continues this behavior in future.

Positive and negative reinforcement

When the environmental conditions reward a certain behavior, it is said to be a positive reinforcement and the individual is most likely to repeat such behavior. For example, if a person is praised for maintaining a perfect physique, he is most likely to continue going to the gymnasium. On the other hand, when a particular behavior results in punishment or less satisfaction, the individual will try to avoid such behavior. This is called negative reinforcement. For example, advertisements of obesity control clinics project negative appeals by showing extremely fat people and the physiological and psychological complications of being overweight. This acts as a negative reinforcement to overweight people and they thus try to reduce their weight by joining these clinics.

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Massed or distributed learning

Should the learning process be scheduled over a period of time (distributed learning) or should it be done quickly (massed learning) Marketers and advertisers face this problem while scheduling their ad campaigns. If distributed learning is used, then customers remember the message for a longer period of time though the learning process will be slow. But when marketers want immediate response, they normally resort to massed learning where faster customer learning occurs.

COGNITIVE LEARNING THEORIES

Unlike the behavioral learning theories, cognitive learning theories highlight the importance of learning through mental processing. Human beings try to sort out the complex issues they face using the information available. They actively seek information from the external environment and use it to resolve the problems they face from time to time. Such learning, which occurs as a result of processing of information using the human mind, is called cognitive learning.

Information Processing

Proponents of cognitive theory of learning view the human mind as an information processing system. The human mind processes the information it receives from the environment. It controls the behavior of the individual like walking, talking, eating, sleeping, and so on. If we consider the human mind as a computer, then the brain can be considered as the hardware, and the mind as software.¹² The processing ability of the human mind depends on the cognitive factors and the complex nature of information involved. Consumers process information regarding the products and brands based on the respective features and attributes. Those who have higher processing capabilities seek more information on products and services and are able to select the best ones compared to those whose cognitive capabilities are lower. Apart from differing levels of information processing capabilities, people also differ in their ability to register images in their minds and process them. This ability in turn influences their capacity to recollect information regarding images of products and services whenever required.

Functions of memory

The ability of an individual to acquire, retain, and recall past experiences is called memory. As the human brain processes information stage wise, there are three stages of memory that store information. These are sensory memory, short-term memory, and long-term memory.

Sensory memory

Sensory memory is the initial stage where the information is processed. But first, we must receive the information for processing it. We receive the information through our senses and such information is then transmitted to the brain. However, the information that is received by the senses is extremely short-term in nature and will exist in the sensory memory for only a few seconds. If adequate efforts are not made to transfer it to the short-term memory by processing such information, it will be lost instantaneously. For example, the human eye (sensory store) is exposed to about 691,200 frames in a day, at the rate of 12 frames/sec, but we tend to remember very few of them.¹³ This proves that sensory memory is very short. Marketers can easily target the consumer's sensory store, but it is very difficult for them to create a proper image in the consumer's mind, as this memory is very short natured. However, consumers normally create a positive or negative impression about a product or service at this stage based on the information provided by the marketer. Therefore, it is extremely important for the marketers to project the first impressions of their offerings in the best possible manner.

Short-term memory

The subsequent stage of information processing is short-term memory, which is also referred to as the working memory. Here, the information on a particular subject is stored for a short period, until this memory starts concentrating on another subject. A very good example of short-term memory is that for telephone numbers. We can normally remember about four to five telephone numbers at one go and if they are rehearsed (repeating the information, in the memory) the information will be transferred to the long-term store. Otherwise such information vanishes from the short-term store in less than a minute.

Long-term memory

Long-term store is a permanent memory and the information stored here is available for a long period of time. Sigmund Freud divided the long-term memory into two parts – preconscious and unconscious.¹⁴ The knowledge in our permanent memory that exists because of rehearsals is called preconscious, while the knowledge that we acquire sub-consciously is called as unconscious. Hypnosis and other such methods are used to obtain information from the unconscious, while we normally can recall the information from the preconscious with a little effort.

Rehearsal and encoding

Rehearsal is the process of repetition of information in one's mind, so that such information can be transferred from the short-term store to the long-term store. If the rehearsal does not occur, then the information is lost within a short time. Rehearsal is done to retain the information in the short-term memory long enough for encoding to take place. Encoding is the process of identifying an object by associating it with a word or a visual image. Marketers normally use brand symbols and logos to help consumers encode their brands. For example, Asian Paints uses 'Gattu' the painter, Nestlé uses the 'nest', 'Thums up' uses the thumb symbol, and so on. These marketers use these symbols on their brands for instant recognition by the consumers.

Retention

The human brain is continuously organizing and reorganizing the information it has as it is constantly acquiring new information from its environment. According to scientists, the long-term memory of the brain is organized in the form of networks consisting of nodes that contain links to several information locations. As the individual acquires more knowledge, the network of relationship increases. This is known as activation. In this process, the new information is linked to the old information to make it comprehensible. Consumers organize product related information based on the brands and their symbols. All the associations that are highlighted once a cue is activated are called a schema.

Retrieval

It is the process of recovering the information from the long-term memory. If an individual is unable to retrieve information from the long-term memory, then it is related with forgetfulness. It is observed that consumers generally tend to remember the benefits of the products more than its attributes. Therefore marketers in their advertisements try to link the attributes of their products with the related benefits they provide to the customers.

Theory of Involvement

Involvement theory has been developed from a research called split-brain theory. According to the split-brain theory, the human brain is divided into the left and right hemispheres. The left hemisphere is linked to rational and logical thinking. It processes information pertaining to reading, writing, speaking, and such other forms

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of information and forms mental based on this. The right hemisphere of the brain, unlike the left, is emotional and spontaneous, and it is involved in analyzing nonverbal and pictorial representations of information.

Involvement level

Involvement can be defined as “the degree to which an object or an idea is centrally related to the value system of an individual.”¹⁵ Based on the involvement theory, the media can be classified into high and low involvement media. Research has found that people process non-verbal information with low involvement such as information provided to the consumers through TV, as most of the communication through the TV is in the form of pictures. Passive learning occurs among the consumers due to repeated exposure to advertisements on television. On the other hand, the print media is considered as a high involvement media, since the maximum communication in this medium is verbal. Therefore, it can be perceived that high involvement is a left-brain activity and low involvement is a right-brain activity.¹⁶ A Brain Wave experiment¹⁷ conducted in the Neuropsychological laboratory in New York medical college on a 22-year-old secretary in November 1969 revealed that the subject’s response to print was active, consisting of faster brain waves, while her response to television was passive, as evidenced by the slower brain waves. Marketers thus use visual components to create awareness of products among the consumers and verbal information to encourage them to analyze the advantages of the product attributes.

Theory of involvement and consumer relevance

The involvement theory focuses on the role of the consumer purchasing process. Consumers have high involvement in certain purchases and low involvement in certain others. It is believed that the degree of involvement is based on the degree of importance a product or service has for the consumer. Consumers are highly involved in the purchase of those items that have high perceived financial and social risk such as automobiles, houses, etc., where the consumer searches for and analyzes a lot of information. However, some researchers are of the opinion that consumers make certain purchases without going through any major decision process. These kinds of purchases are categorized as low involvement purchases, where a consumer does not make complex decisions by processing information. Low involvement is related to purchasing of items that have low perceived risks such as purchasing of grocery items, etc. Researchers also point out that there are five types of involvement – Ego involvement, commitment, communication involvement, purchase importance, and response involvement.¹⁸

Ego involvement helps in determining the involvement of the consumer’s value system while making a purchase. For instance, the type of product a consumer chooses depends on his or her perception of self-worth. After purchasing the product, if the consumer is committed to the decision that he has already made (purchase) then it refers to commitment, this can also be related to brand loyalty. Communication involvement refers to the involvement of an individual to a particular communication just when it is made. Here, the individual is not involved before the communication or after the communication is made. His involvement will be there only as long as it is communicated to him. For instance, while looking at an ad in a newspaper, he will be involved in the ad if it is of interest to him, otherwise he may not be involved. According to purchase importance, high involvement purchases are those that are important to the customers, while low involvement purchases are those that are not important to the customer. Response involvement refers to instances where individuals resort to active information processing (high response involvement), so that such information can be used to arrive at the best purchase decision and in other situations they try to put minimum efforts (low response involvement) in information evaluation for making purchases.

BRAND LOYALTY

Brand loyalty can be considered as the conscious or unconscious decision of a consumer that is reflected in his expressed intent or behavior to purchase and repurchase it on a continuous basis.¹⁹ Consumer loyalty toward a brand can be attributed to his perceptions about the brand that it provides the right mix of features and quality that he is looking for, and at the right price. Brand loyalty is reinforced by customer satisfaction in a product and it normally results in the repurchase of the product by the consumer. Behavioral scientists argue that brand loyalty occurs because of reinforcement. On the other hand, cognitive scientists state that brand loyalty is a result of extensive problem solving behavior involving brand and attribute comparisons by the consumers. Brand loyalty is an asset for marketers. However, certain marketers are bothered about frequent brand switching by consumers. Brand switching normally occurs because of boredom or dissatisfaction with a product, increased competition, sales promotional activities of competitors, etc. It is therefore essential for marketers to develop proper branding strategies in order to maintain brand loyalty among their customers. We will discuss some of the brand related aspects such as brand equity, product positioning and brand leverage in the following sections.

Brand Equity

The amount of additional income expected from a branded product over and above what might be expected from an identical, but unbranded product can be referred to as brand equity.²⁰ The intangible value linked to a product in terms of celebrity endorsements, the image of the product created by the company's marketing efforts, the overall perceived quality of the product, and so on, can be considered as brand equity. It is brand equity that helps the company in convincing the customers about the higher value of its products and services. This value, in turn, helps the company in charging a price premium for its offerings. The importance of brand equity is attributed to the value a brand has in the market. For instance, if we consider a soft drink, Pepsi, without the brand name Pepsi, it would merely be colored and flavored water. Similarly, a watch without the name Titan, would be just another watch in the market. Thus, we normally purchase several products that have established brand names, although several unbranded products of almost the same quality and features are available in the market. This is a very important factor that signifies the importance of a brand name and its equity. We need to therefore understand that the perceived quality and all other such intangible factors are attributed to a product by its brand equity. These days, many national and international brands are showing immense interest in valuating their brands in monetary terms. Exhibit 6.2 discusses the major approaches of valuating a brand.

Product Positioning

Product positioning can be considered as a technique that marketers use to create an identity and image for their products. Positioning is done in the minds of the target consumers; it is how consumers perceive a product. The crucial aspect to any brand's success is its brilliant positioning.²¹ Product positioning is normally done to highlight the differentiating aspects of a product from other competing products and thus give the company an edge over the competitors.

Exhibit 6.2 **Brand Valuation**

In today's extremely competitive market situation, brand equity and brand valuation are the most important aspects that a company focuses on. Identifying the value of a brand helps companies in taking strategic marketing decisions. The techniques that have been developed for estimating the brand equity or brand value can be categorized into four areas:

- Business finance oriented models
- Psychographic oriented models
- Composite financial/ behavioral models
- Input/output and portfolio models

The Interbrand approach and consumer focused models are the two important techniques that help in valuating a brand. The Interbrand approach was proposed by a company called Interbrand Group PLC. In this method, the value of a brand is determined based on its earnings and its strengths. Earnings are related to the current profit potential, while the strength of the brand is its capability to earn profits in the future. A brand's strength is calculated based on certain related attributes such as brand leadership in the market, consistency in performance, market growth rate, patented protection, investment support, updating ability to the latest trends in the market, and attractiveness of the brand in different locations. Apart from the above aspects, the perceived quality of the brand, the awareness of the brand in the market, and the positioning of the brand also help in the measuring the strength of a brand.

Adapted from "BBDO Brand Equity Excellence." www.bbdo.de

Brand Leverage

When marketers leverage on brand equity by using the existing brand name for new products, it can be termed as brand leverage. Marketers resort to this method so that consumers will perceive the new brand as having some of the characteristics of the existing brand. Companies always focus on leveraging on brand value for new products and further improving the value of already existing products, as they are aware that a strong brand always improves the value to its shareholders and its profits. Research²² conducted by McKinsey on the connection between brand strength and corporate performance on around 130 consumer companies, found that strong brands on an average generated total returns to shareholders (TRS) of 1.9 percent above the industry average while weaker brands stayed behind the industry average by 3.1 percent. Leveraging, as discussed above, is capitalizing on the existing brand name to move into other product opportunities. Lux, for example, used its brand name to move into the liquid soap and shampoo market, Godrej's Fairglow soap brand was extended to its fairness cream, Kingfisher's brand name was used by the UB Group to enter the airline business. There are countless such examples where companies use their existing brands to enter new product opportunities. Exhibit 6.3 discusses some of the brand leveraging strategies of Indian companies.

Exhibit 6.3**Brand Leveraging**

Companies generally try to leverage on the brand equity of established brands for other new products as discussed earlier in the chapter. The fairness cream market in India is growing enormously at the rate of 25% per annum compared to the overall cosmetic market growth rate of just 15% per annum. HLL introduced the Fair and Lovely fairness cream in 1975 and this continued to dominate the market and enjoyed a significant market share until 1998 when CavinCare introduced its Fairever cream and grabbed about seven percent of the fairness cream market. Subsequently, many players entered the fairness cream market. In 2000, Godrej introduced Fair Glow soap and later leveraged on the brand equity of the soap to introduce Fair Glow cream, which became a huge success. HLL later leveraged on the brand equity of Fair & Lovely cream and introduced Fair & Lovely fairness soap in March 2001.

Adapted from Paras Sachdeva. "Mirror Mirror on the Wall Which Product Makes Me Fairest of All." March 17th 2001. www.indiainfoline.com

SUMMARY

Learning is a behavioral modification that occurs through experience or conditioning. Researchers have carried out studies to understand consumer learning. According to the behavioral learning theory, learning occurs from exposure to external stimuli such as advertising and according to the cognitive learning theory, consumer learning takes place by a process of internal knowledge transfer. Motivation, cues, response, and reinforcement are the basic characteristics of learning. Conditioning can be defined as "a learning process in which an organism's behavior becomes dependent on the occurrence of a stimulus in its environment." Ivan Pavlov a Russian physiologist, demonstrated conditioning by conducting experiments on dogs. The most important aspects of classical conditioning are repetition, stimulus generalization, and stimulus discrimination.

Instrumental conditioning, like classical conditioning, also has an association between stimulus and response but in instrumental conditioning, the stimulus that provides the most rewarding response will be learned. B.F. Skinner, a behavioral scientist, conducted some experiments on pigeons to prove this point. When the environmental conditions reward a certain behavior it is said to be a positive reinforcement. When a particular behavior results in punishment or less satisfaction, the individual will try to avoid such behavior. This is called negative reinforcement. According to cognitive learning theory, the human mind processes the information it receives from the environment. There are three stages in the memory of a human being. They are sensory memory, short-term memory, and long-term memory.

Involvement theory is developed from research called split-brain theory. This theory views the human brain as being divided into left and right hemispheres. The left hemisphere functions rationally and logically, processing information pertaining to reading, writing, speaking, and such other forms of information and forms mental images based on this. The right hemisphere of the brain, unlike the left, is emotional and spontaneous, and is involved in analyzing nonverbal and pictorial representations of information. If an individual resorts to information processing for purchasing a product then he is considered to be highly involved. Otherwise, he is said to be making a purchase with low involvement. There are five types of involvement – Ego involvement, commitment, communication involvement, purchase importance, and response involvement.

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Brand loyalty can be considered as the conscious or unconscious decision of a consumer that is reflected in his/her expressed intent or behavior to purchase and repurchase a product on a continuous basis. The amount of additional income expected from a branded product over and above what might be expected from an identical, but unbranded product is called brand equity. Product positioning can be considered as a technique that marketers use to create an identity and image for their products. When marketers leverage on the brand equity by using the existing brand name for new products, it is called brand leverage.

End Notes

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Chapter 7

Attitudes and Consumer Behavior

In this chapter we will discuss:

- Characteristics of Attitudes
- Functional Theory of Attitudes
- Attitude Models
- Formation of Attitudes
- Measurement of Attitudes
- Theories of Attitude Development
- Attitude Change
- Involvement

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One of the oldest definitions¹ of attitude states that, 'An attitude is a complex mental or neural state of readiness, organized through experience, exerting directive or dynamic influence on the individual's response to all objects and situations to which it is related.' More recent definitions of attitude consider it as a predisposition to experience, to be motivated by, and to act toward a class of objects in a predictable manner. Put simply, an attitude is a mental state involving beliefs, feelings, values, and dispositions to act in a certain way. We can also understand attitude as a learned predisposition that projects a positive or negative behavior consistently toward several objects of the world.² In other words, attitudes refer to the favorable or unfavorable feelings one might have about a person, thing, or event. Attitudes are normally formed as a combination of several interrelated beliefs. They are thus, the psychological views that people develop about everything they know and come across or learn in their life. Attitudes are formed based on experience, education, upbringing, and the type of environment we live in. How we choose to think, act, and respond to everything in life is determined by our individual attitude. Hence, attitudes play an important role in influencing human behavior.

It is very important to measure the attitudes of customers to understand their behavior toward the products and services offered by the companies. Companies across the world spend millions of dollars on public relations advertising, in anticipation that people will form positive attitudes toward them.³ Although it is very difficult to measure qualitative aspects such as attitudes, attempts have been made to measure them to a certain degree of accuracy.

Attitudes guide the actions of individuals and marketers are able to understand the consumers better by understanding their attitudes. That is why it is so important for marketers to understand people's attitudes. To a certain extent, marketers can change the attitudes of people by appropriately advertising their offerings. For instance, traditionally, the Indian consumer may have viewed shopping as just another chore, but marketers today are working hard to change this perception. Exhibit 7.1 discusses how the attitude of the Indian consumer has changed toward shopping. Shopping is now no longer looked on as a routine chore but is an experience that a majority of consumers in India look forward to.

The study of attitudes plays an important role in understanding how a person behaves in a market scenario, especially while making a purchase decision. In this chapter we will discuss the characteristics and functions of attitudes, the development and formation of attitudes, and finally, the different models and theories of attitudes. The chapter also discusses the various methods available to the marketer to change the consumer's attitudes.

CHARACTERISTICS OF ATTITUDES

Attitudes help in the development of one's personality. For example, a person may have a positive attitude toward life. He/she may therefore, always look at the brighter side of life and is an optimist at all times. These attitudes that have a significant influence on an individual's behavior and personality have certain characteristics.

As we discussed earlier, an attitude is a learned predisposition that projects a positive or negative behavior consistently toward several objects. While studying consumer behavior, this object has to be understood as a product or service or a marketing communication message. Every individual normally possesses a distinct point of view regarding a product or service and a situation or a person. All such tangible and intangible things or subjects regarding which one holds an opinion are called 'attitude objects'.⁴

Exhibit 7.1

The 'Boom' in Shopping Malls

Shopping has traditionally been looked on as a chore in India and people were content to turn to the small neighborhood retail store for all their groceries and monthly provisions. But over time, there has been a sea change in the attitude of Indian consumers. The increase in disposable incomes of families and the increasing number of nuclear families where both spouses are employed has given an impetus to this change in attitude. Further, an exposure to various products and brands through satellite television channels and the rise in the percentage of working women has helped the Indian woman to play a significant role in influencing and executing the purchase decisions of the family, especially in the retail market scenario. Finally, the consumer today has become more focused on "I, me, myself" and is self-indulgent while making purchases.

Indian consumers now demand branded goods of superior quality offered to them in a convenient atmosphere. They are willing to spend more on consumption of products and services, according to KSA Technopak (the Indian subsidiary of Kurt Salmon Associates, a 68-year-old global Management Consulting firm offering integrated strategy, process and technology deployment solutions). Consumers are paying more attention to the quality of goods as well as to the ambience of the place from where they buy the goods. They are moving away from the retail stores where customer service is almost non-existent as salespersons are either not trained or they don't bother about customer service at such outlets.

The new imposing shopping malls with products and services of international standards and state-of-the-art facilities such as air-conditioned stores, escalators, and good parking facilities are very appealing to present day customers. These malls offer everything from groceries to electronic goods all under one roof. There is moreover, a choice of different brands and the quality is good. This is obviously very convenient for dual income families whose busy lifestyles leave little time for shopping. Also, the salespersons at these malls are trained and they ensure that a consumer's shopping experience is enhanced by their courteous service. The modern shopping malls cater to the varied shopping needs of the consumer. They are multi-storied, centrally air-conditioned buildings comprising restaurants, multiplex cinema halls, bowling alleys, and computer game terminals, and so on. And the malls offer all these facilities in an international ambience of luxury and comfort that enables the entire family to spend time together. The Indian consumer's attitude toward shopping now is that it is a fun-filled experience often involving the entire family.

As per the KSA's survey on the tastes of the youth in India, there was a 4% increase in expenditure on eating out, consumer durables, personal care items, accessories, and entertainment in 2005. Retailers have been quick to cash in on this change in the Indian consumer's attitude toward shopping and so more and more shopping complexes combining the desirable features of entertainment, fun, and food under an air-conditioned roof; are coming up in what is termed the 'mall boom' in India. The success of retail outlets such as Shoppers' Stop, Lifestyle, and Big Bazaar, is testimony to this change in the consumer's attitude toward shopping. Marketers are now trying to attract even rural consumers and ITC setting up malls in villages is an indication of this development.

Adapted from Prakash D Aswani, "Center Stage." October 2003. www.iitk.ac.in; N. Shatrujeet, "8 Dominant 'Rituals' Reflect Young Indian Male Behavior.", September 24, www.agencyfaqs.com; "Consumers indulge in lifestyle spends reveals KSA Consumer Outlook 2005" Feb 28, 2005, www.agencyfaqs.com; "Chaupal Sagar Unlocking rural markets." Businessworld. www.itcportal.com.

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An attitude has a direction, intensity, and degree. The attitude we have regarding an 'attitude object' will determine how we react toward it. For example, if we consider smoking as a vice, we will not only avoid it but also disapprove of people who smoke. Our attitude will ensure that we move away from the attitude object (cigarette smoking). On the other hand, if we view any attitude object favorably, we will move toward it. For example, if we consider that exercising is good for health, we will then form a positive attitude toward exercising and toward those who exercise regularly. In this way, attitudes direct our behavior.

Attitudes are normally consistent. However, there is a possibility of their changing over time. Attitudes evolve as we grow up. Our experiences and environment give shape to them. Our attitudes are normally adopted from the surroundings and are influenced by the people around us. Thus, attitudes are learned aspects of our behavior.

Attitudes can be measured. In fact it is very important for marketers to measure the attitudes of consumers in order to understand their behavior. In other words, attitudes have a degree and they can be high or low. While degree refers to how strong our feelings are toward an attitude object, intensity refers to how strongly we believe in the attitude. For instance, a person has a strong negative attitude toward a particular brand, as he thinks that it is too costly. But this opinion could be based on what he/she has heard about the brand from others (friends and family), rather than on his/her personal experience. In such a case, the degree of attitude is high but intensity might be low. If the person later finds that the brand offers superior quality compared to other brands, there is likely to be a change in his/her attitude. Therefore, attitudes have different levels of intensities. Attitudes also occur within a situation, i.e., attitudes change according to the situation a person is facing. For instance, a manager may believe in being more of a friend than a disciplinarian at work and therefore his/her attitude in general could be friendly toward his/her team. But when it comes to completion of a very critical project, the manager might adopt a tough approach and a very formal attitude in dealing with the team. Thus, attitude is sometimes modified according to the situation.⁵

The attitude a consumer has regarding one product may influence his attitude toward other related products as well. Attitudes direct and also determine the intensity of a consumer's efforts toward the attitude objects. Exhibit 7.2 discusses the shift in consumers' attitude toward health and how being health conscious affected their attitudes towards health foods and fitness equipment.

FUNCTIONAL THEORY OF ATTITUDES

Attitudes are dominant responses in a person that are established by experience and beliefs. They influence consumer behavior and aid in purchase decision-making. Attitudes could help in reaching a decision for satisfying present needs or needs that may arise in future. For example, a person's attitude toward buying jogging shoes only from Adidas may be fuelled by his or her need for good quality shoes, which are comfortable to jog in. While this attitude helps in fulfilling the present need -- jogging, the attitude of a newly married couple in buying a microwave oven with safety features such as a child lock indicates their intention of providing for the safety of their children in future. This knowledge helps marketers to develop products that are suitable to consumers. The functions that attitudes perform are: 1) utilitarian, 2) value-expressive, 3) ego-defensive, and 4) knowledge function.⁶

Exhibit 7.2

Health Conscious Indian Consumers

Over the years, the Indian consumer has become increasingly health conscious. The preference now is for healthy food and a membership in one of the many rapidly multiplying fitness centers like gyms, or even slimming centers. While some consumers are adopting this kind of a lifestyle to overcome stress at work, others are doing it for the sake of maintaining a healthy life and for looking slim, in keeping with the current trends in society. A survey conducted jointly by Businessworld magazine and the market research outfit NFO-MBL India, on executives in leading companies of India to find out their stress levels has revealed that around 77% of executives were experiencing stress at the workplace and that 82% of these executives attributed health disorders, such as diabetes and heart ailments, to stress and a hectic lifestyle. The surveys also revealed that a majority of the executives (80%) were aware of the toll that stress and unhealthy lifestyle were taking on their health. The survey further revealed the steps the executives were taking to maintain good health:

- 1) 68% of the corporate executives adopted health foods to stay healthy.
- 2) 73% of them favored exercising.
- 3) 40% took up sports
- 4) 32% used nutritious supplements such as protein drinks or health food such as Spirulina etc.
- 5) 25% resorted to alternate therapy
- 6) And 18% followed a workout program in a gym.

The survey further found that the executives were willing to spend seven to ten percentage of their income on buying goods that helped them stay fit and in good health.

Companies catering to the health conscious consumers are also increasing in recent times. For instance, a number of Nutraceutical companies that produce dietary supplements like Spirulina, Natural Beta Carotene, Wheatgrass, Tofu, Muesli, and preventive medicines, anti-oxidant pills, anti-stress capsules, etc. are making a foray into the Indian markets. Parry Nutraceuticals Ltd, Amway India Enterprises, Himalaya Drug Company, and Dabur are some of the companies manufacturing these products. The market for health foods is poised at Rs. 1600 crore (as of 2002) and the market is growing with enthusiastic entrants like Ranbaxy. Even companies manufacturing electronic goods such as LG, Samsung, and Sansui, are promoting their products on the health platform. For instance, LG Golden Eye CTV is positioned on the concept of less strain on the eye, Samsung focuses on its Bio Fresh Refrigerators, and the LG plasma range of air-conditioners claim to provide a pollution-free environment with their air conditioners. Samsung Microwave has patented the use of 'BioCeramic material', in their microwaves that ensures food preparation in a healthy way. The changed attitude of customers in general is clearly evident from these strategies of marketers.

Adapted from Neha Kaushik, "Mission health", Business Line, May 01, 2003. www.blonnet.com; "Executives getting health conscious, says Businessworld-NFO survey", September 2, 2002. www.agencyfaqs.com; P A Francis, "A Regulation for Nutraceuticals", July 03, 2002, www.pharmabiz.com; Ajita Shashidhar, "Nascent nutraceuticals", Business Line. Nov 20, 2003, www.thehindubusinessline.com.

Utilitarian Function

It is inherent in our nature to form a positive attitude toward objects that have helped us or have acted to our benefit. Similarly, we tend to develop a positive attitude about products and services that give a pleasant experience. Thus, individuals develop opinions about many attitude objects, depending upon the benefit or utility that they

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derive from them. A rewarding experience with a product will lead to a positive attitude toward that product. On the other hand, an undesirable experience will lead to a negative attitude. For example, if the service or food offered in a hotel is not up to our satisfaction, we develop a negative attitude toward that hotel and would prefer not to go there again. Marketers therefore try to highlight the positive aspects of their offering to make consumers develop a positive attitude toward such offerings. For example, the advertisement for Nescafé coffee focused on the utility function of the coffee with their jingle "The taste that gets you started up" (the advertisement showed how the rich taste of coffee helps one get through a busy day). Now with its new advertisement, Nescafé has tried to reinforce how the coffee refreshes a person. This is stated in its jingle - "*Jagao jagao, Nescafé pilao.*"

Illustration 7.1: Utilitarian Function



Source: www.agencyfaqs.com

Value-expressive Function

Most of us have values that are either inculcated in us by our upbringing or have been shaped by our experiences. These values are strong beliefs that we have and they are displayed in our actions. For example, a person who believes that aerated drinks are bad for the health might avoid drinking them. Such a person can communicate his/her beliefs by always avoiding such products. Similarly, one can communicate his or her values through one's attitude. For example, a person's concern for environment protection is communicated through his negative attitude toward products that use plastics, CFC, etc., that damage the ecological balance. His conscious avoidance of such products communicates his attitude. If he chooses to use recycled paper and commute by a bicycle instead of using automobiles, they reflect his efforts to protect the environment.⁷

Ego-defense Function

Most individuals generally develop positive attitudes toward products that help in safeguarding their self-image. Products such as cosmetics, fashionable clothes, and other personal care products such as deodorants or mouthwashes are targeted at appealing to the ego defense attitude of the people. Marketers try to cater to the ego defensive needs of people through appropriate advertising. Advertisements related to skincare products, mouthwashes, deodorants, etc., come under this category.

Knowledge Function

It is a human tendency to be curious and to seek knowledge. A person's desire to know about new things and to understand them reflects his or her need for knowledge. This need for knowledge about a product leads the person to adopt an attitude that

helps him in acquiring knowledge about the product. A marketer can take advantage of this attitude and present adequate information about the product, so that it attracts the attention of that person. For example, companies tend to highlight their product's attributes by comparing them with those of competitors in their advertisements. These types of ads catering to the knowledge function help consumers in analyzing the attributes of different brands easily.

Combination of Functions

Individuals develop positive or negative attitudes toward different products for different reasons. Therefore, marketers have to understand the functional theory of attitudes that state that all attitudes exist to serve a specific function. This helps marketers in positioning their products accordingly. For example, if Lakmé were to introduce a new perfume for women called 'Allure' in the market, it could highlight the utility function of the perfume by saying it kept one fresh all day. Lakmé could also position 'Allure' as a gentle perfume whose fresh and delicate fragrance exuded femininity, catering to the value expression function. On the other hand, the perfume could be positioned as a pleasant way to combat body odor at work. This would serve as an 'ego-defensive' function of a person. Finally, Lakmé could also position its perfume to cater to the knowledge need of its customers by giving information about the contents and related benefits of the product.

ATTITUDE MODELS

Attitudes could be formed toward tangible or intangible objects. In marketing parlance, the attitude objects (those tangible or intangible things toward which a person has an attitude) would refer to the product, its features, its price, the store where it is sold, the service provided at the store, the view regarding the company, the brand image, and so on. Hence, all these are considered as 'attitude objects'. Apart from these, marketing policies such as discount offers or 'free gifts offered on purchasing a product' etc., are also seen as 'attitude objects'.⁸

Attitudes play an important role in influencing a person's behavior. From the marketing perspective, the study of attitudes is looked upon as the key to understanding consumers' behavior, which will help marketers in positioning products and services according to the needs of consumers.

In order to study the relationship between the attitudes of individuals and their behavior, psychologists have developed various models that focus on studying the constitution of attitudes. Some of these models are 1) tri-component attitude model, 2) multi-attribute attitude model, 3) trying to consume model, and 4) attitude-toward-the-ad model.

Tri-component Model

This model helps us understand how attitudes are the result of the interrelationship between a person's knowledge, his or her feelings, and finally, the intentions of the person. Attitudes have been found to have the three components namely cognitive, affective, and behavioral components. We will now discuss each of these three components in detail.

Cognitive component

We learn a lot about various products by analyzing the stimuli we receive from them. Depending on the stimuli we receive, we form some beliefs about the products. Knowledge that is gained as a combination of experiencing the attitude object and obtaining information from related sources is the cognition of a person and this can be

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termed as the cognitive component. The cognitive component of an attitude consists of the beliefs, opinions, knowledge or information held by a person regarding an object or an issue. The knowledge comprises the awareness about the existence of an object, belief about the different characteristics, the features of the product, and also the relative importance he places on each of these characteristics. For instance, if a person is planning to travel from Hyderabad to Mumbai by a flight, he may recall several service providers such as Indian Airlines, Jet Airways, Air Deccan, Sahara Airlines, and so on (his knowledge about the existence of an object). This knowledge about the various airlines may not just be confined to his awareness. He may have certain beliefs about each of these airlines based on his personal experience and/or experiences of his relatives and friends, knowledge gained through advertisements, books, magazines etc (beliefs about different features of the object). He may feel that the service of Jet Airways is better than the service of Indian Airlines (placing relative importance). His beliefs may not actually be completely true, but to him they are facts and such beliefs give way to favorable cognitive component toward an object. Marketers therefore use various marketing mix variables to attract the customer and over a period of time, try to nurture positive beliefs about their products and services in the minds of the customers.

Affective component

An individual's emotions or feelings toward an object can be termed as an affective component. Such emotions as anger, happiness, shame, distress, guilt, etc., lead the individual to develop a positive or negative attitude about an attitude object. For instance, if an individual says that she loves brand 'A' apparels more than brand 'B' as brand 'B' does not have a wide range, then they can be considered as the overall emotional feelings of the woman and form the affective component. It is important to note here that two persons may share a cognitive component, but when it comes to affective component, one may have a positive affective component and the other may have a negative affective component. For instance, a person may have positive feelings about shopping, while the other may have the negative feeling that a lot of money is wasted on shopping.

Conative component

Finally, how the attitude of a person toward the 'attitude object' influences the action that the person takes or wishes to take regarding that object constitutes the conative component of attitude. The decision that a person takes with regard to the attitude object depending on the cognitive and affective factors constitutes the 'behavior or conative component' of the attitude. The conative component comprises the future actions and intentions of a person. For instance, if the person in the previous example plans to fly Indian Airlines in future also or the woman plans to buy only brand 'A' apparel in future, then they become the conative components of the attitude.

Shortcomings of Tri-component Model

The tri-component model tells us that a person's beliefs and feelings influence the action taken toward an attitude object. However, it is incorrect from a marketing perspective to assume that the beliefs of a person shape his attitude toward an attitude object. It might be possible that a person is very well informed about the product, yet this information or any belief he has about the object cannot be assumed to shape his attitude toward it. In reality, the person may not be interested in the object at all and hence, in spite of perceiving it, he might not form any attitude toward it. For example, we might know about all the features of a new Nokia phone that is available in the market, but we may not evaluate all that information to form an attitude toward the phone as we may not be interested in buying it.

Consistency of Components

The three components of an attitude are always consistent or similar. For example, an individual cannot say that Cadbury's chocolates are his favorite and also that they taste horrible, since these beliefs are not consistent with each other. Individuals normally tend to have consistency in their beliefs and may sometimes, if required, change their beliefs in a way that they are consistent with their experiences. For instance, even if occasional reports come up claiming that Cadbury's chocolates have worms in them, the person may not give much importance to such claims after seeing the company's advertisements claiming that they are now maintaining stringent quality norms.

However, it has been found that certain factors reduce the consistency level between these three components. We will try to explain each of these factors through the following example. A person might have favorable cognitive and affective views and feelings respectively, toward a fully automatic washing machine by LG. However, the consumer doesn't own one nor does he plan to buy it. This is a case wherein the behavior component of attitude is in conflict or is inconsistent with the other two components of belief and feelings that the consumer has. The reasons for this inconsistency could be that he does not require an automatic machine, as he gets someone to wash his clothes for him. Thus, although the three components of an attitude are consistent, there are a few instances such as the one given here when their consistency is reduced. The tri-component model holds that attitude toward an object is determined by the beliefs and knowledge that a person has regarding that object. However, attitudes are sometimes difficult to understand, as attitude objects might have many characteristics and consumers differ in the way they rate these characteristics. For example, one consumer does not notice a feature that is seen as important by another. Trying to understand attitudes to comprehend consumer behavior is a difficult job. Multi-attribute models provide us with a framework to understand how the consumer's perception toward the various features of an attitude object influences his or her behavior.

Multi-attribute Model of Attitudes

Marketers study consumers' attitudes to understand their perception about their product or service. Attitude measurement helps marketers in analyzing purchase intentions of the consumers. The tri-component model only explains the beliefs and feelings of an individual that form his attitudes toward attitude objects; it does not provide information about the purchase intentions of the consumers. However, the multi-attribute model helps in studying a person's attitude about the various features (or attributes) of the attitude object and also helps the marketers in predicting the purchase intentions of the consumers.

Fishbein presented the earliest multi-attribute model and it focused on the number of desirable attributes the attitude object had. This model helped marketers in analyzing how consumers identified the attributes of a product and to what extent they felt such attributes were attractive. For example, a consumer who wants to buy a suit might look for attributes such as the latest in fashion, comfortable, stylish, reasonably priced, good brand image, attractive look, and durable. Now, if the consumer perceives that brand A has most of these attributes (compared to other brands), then it is likely that he will develop a 'positive attitude' toward that brand and purchase it.

Later, it was found that although a consumer agreed that a particular attitude object had the maximum number of desired characteristics, he or she didn't have a positive attitude toward it, which would have led him to purchase the product. This was because though the consumer felt that all the characteristics the product had were desirable, they were not important or relevant to him. Hence, according to the modified Fishbein model, the consumer's attitude toward a product was determined by how many desirable attributes a brand had that the consumer also rated as important for purchasing.

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Theory of reasoned action

As mentioned earlier, marketers want to study the 'attitude of consumers' to know how they perceive a product. Marketers need this information to make products that will be desirable. The modified multi-attribute model tells us how the attitude of a person toward a product can be discovered.. To explain, let us look at the previous example again; here even though the consumer has a positive attitude toward brand A, he doesn't have any interest in buying it, maybe because he rarely wears a suit. Therefore, his positive attitude becomes useful to the marketer only if and when the consumer actually decides to buy the product. The fundamental reason why a marketer studies the consumer's attitude toward an attitude object is because this will help in forecasting the 'purchase intentions' of the consumer. However, knowing a consumer's attitude toward a product didn't help marketers in forecasting, as the consumer's attitude didn't effectively convey his or her purchase intentions of that product. To overcome this shortcoming, the Fishbein model was extended and further developed to include the various psychological factors that determine a consumer's 'intention to purchase'. This model is known as the 'theory of reasoned action'.⁹ It tries to explain the interrelationship between the psychological factors faced by the consumer and any external emotions inspired by environment and his or her intention to buy. Understanding this interrelationship gives an insight into a consumer's 'purchase decision'.

The theory states that a person's behavior is shaped by his or her intentions. For example, people who intend or mean to protect wild animals from extinction adopt the attitude that they will not use products made of animal hide (like fur coats or leather bags), nor support using animals for clinical trials. Thus, our behavior is guided by our intentions. This theory tries to understand the intention of the consumer with regard to either 'buying a product or avoiding it', by examining 1) the consumer's attitude toward the outcome of his or her behavior, and also 2) a consumer's perception about other people's belief about such an action or behavior.¹⁰

A consumer will analyze all the possible outcomes of a specific behavior, such as purchasing a product. For example, a young man, who has taken up a temporary job after graduation, might wish to buy a 'motorbike' from his savings. He lists the following as the possible outcomes of the behavior (the action of buying a motorbike).

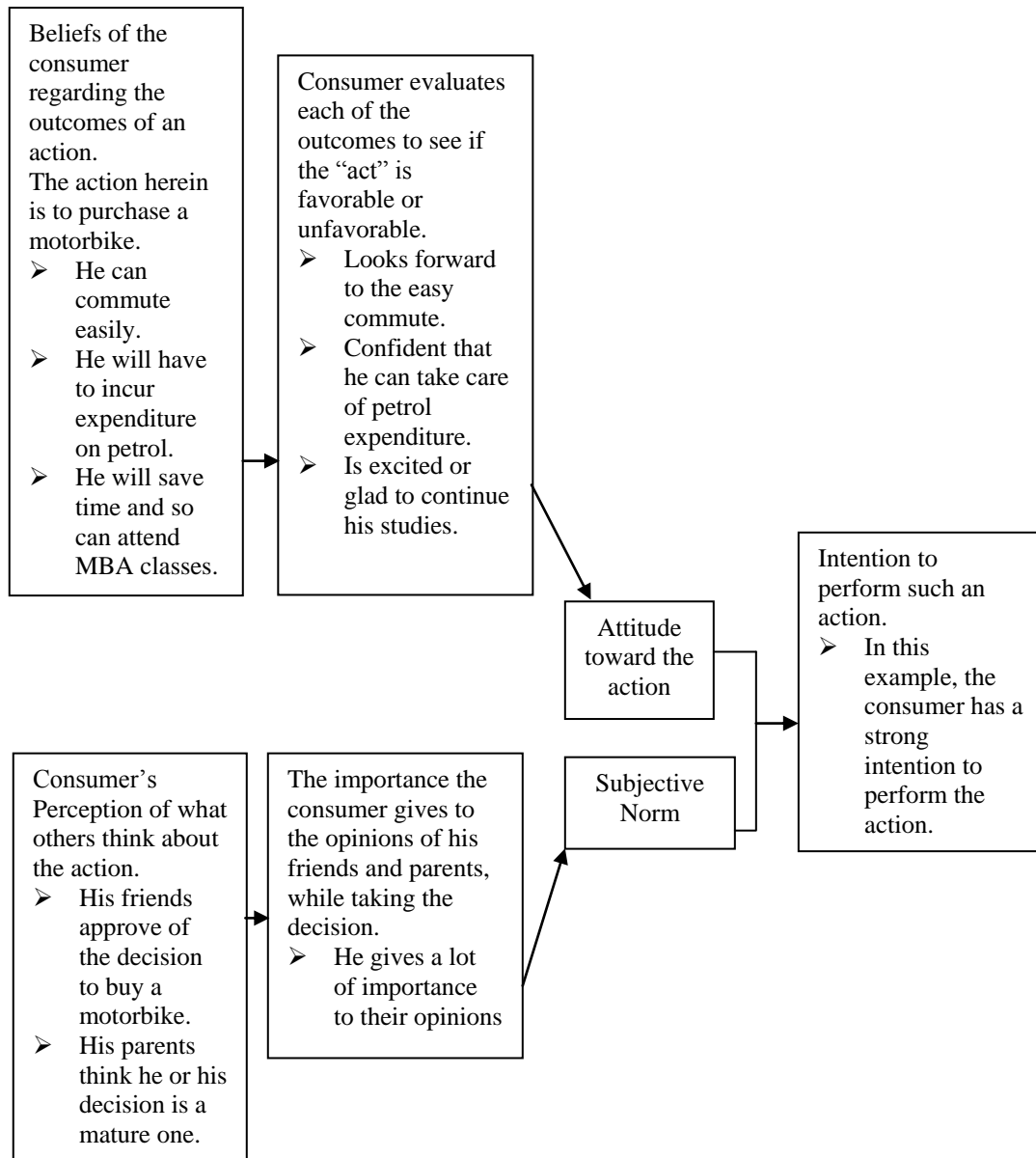
- He can commute easily.
- The bike will help him meet his personal requirements (such as going on a long drive) and also professional responsibility (such as traveling during work).
- It helps in saving time, which he can put to productive use; for example he could attend his MBA classes, at evening college.
- Using a bike would require him to spend some money on petrol and servicing of the vehicle.
- It might be possible that his family and friends expect him to help them in various errands and they might give him a lot of work.
- Commuting in the city involves facing the chaotic traffic and pollution.

Thus, after identifying the list of outcomes he will now analyze each one of them to see if they are favorable and appealing or not. Let us suppose he evaluates these outcomes in the following way: he definitely finds it appealing that the vehicle will help him travel faster, and he would be glad to lend a hand in the household chores. With the part-time job, he can take care of the petrol expenses. He is also sure that his friends will not try to impose on him, as they all own a motorbike themselves. By looking at how he evaluated the various consequences of the behavior, it is likely that he will have a favorable attitude as regards the 'act or action' of purchasing the bike.

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The intention to purchase further depends on what the consumer perceives his friends and family will think about such behavior and the importance or weight he attaches to their opinions or views. For example, the person may perceive that his friends would approve of his decision to buy a bike as that will mean they could have more fun together. And he might also believe that his parents would approve, as they will think that this proved he had become more mature and independent. The importance that the youth gives to opinions that he perceives the people around him hold, are referred to as his 'subjective norm'.

Figure 7.1: Theory of Reasoned Action



Adapted from Jay. D. Lindquist and M. Joseph Sirgy. "Psychological Influences on consumer Decision Making." Biztantra innovations in Management, Dreamtech press.

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Thus the theory of reasoned action states that the consumer weighs the behavior by analyzing all conceivable outcomes of a 'behavior or action' and also by considering the opinion that the people around him have about such a behavior. If the consumer favors the outcome of the behavior and sees that others also welcome it, he or she will decide to adopt such behavior. In the above example, the young man has a positive attitude toward the action of buying the bike. This, coupled with approval of that action by his family and friends, 'strengthens' his desire or intention to perform such an action. In this case, he might buy a motorbike. Figure 7.1 discusses the theory of reasoned action using the above example.

Theory of Trying to Consume

This theory helps the marketer in predicting consumer behavior and forecasting the purchase intentions of the consumer. Also, the theory of reasoned action looks at how a consumer evaluates the outcomes of a particular behavior and forms an intention to adopt it. But in reality, the intentions of the consumer may never turn into actions, especially when the duration of the behavior is long. It is possible that during this period changes in the environment or within the consumer might result in the intention being discontinued. Hence, marketers require a model that helps them in understanding the consumer's buying intentions and also his consumption intentions, because they need to know if the consumer will continue to use the products in future.

To serve this purpose, the theory of trying to consume was developed. This model examined certain new parameters such as the attitude of the consumer toward the process or activity; the consumer's belief about the consequences of his or her actions; and how the consumer evaluated each of these consequences; the number of times the consumer had taken up such an action in the recent past and finally, the consumer's perception about what people thought about his or her action, constituted the subjective norm.¹¹

The model examines the following factors:

- The consumer's view about the process or activity.
- His or her attitude toward the outcome of the process or action or activity. The outcome could be failure or success in the action that has been taken.
- The consumer's expectations regarding either of the outcomes.
- Evaluation of the consequences of each outcome.
- The number of times the consumer has tried to achieve the particular goal in the past.
- The most recent time when the consumer has taken up this project.
- The subjective norm that refers to how the consumer perceives his family and friends to regard his or her action as.

The marketer can thus use the above model to predict the behavior of a consumer over a 'span of time'. For example, let us assume that a young woman wishes to enroll for a course in 'nutritional cooking'. The course teaches one to cook a most nutritious meal in any cuisine. This theory helps the marketing team of the institute offering this course to predict whether the woman will enroll and also continue in the course, which is spread over six months.

As per the theory of trying, the intention of the consumer to take up and continue the action of attending the cooking class would depend on the following factors:

1) What is the woman's perception about attending the cooking class? This includes the ambience of the place where the classes are conducted, the parking place available, the facilities available in the institute, the people who are attending the class along with her, and the tutor himself. It also includes the efforts that she has to put in to attend the class, such as traveling and allocating time for it, and so on.

Attitudes and Consumer Behavior

2) The various consequences that the consumer can foresee out of the action. These are:

- i. She could be successful in completing the course. Or
- ii. She could fail to complete the course.

The consumer will then evaluate each of these outcomes to form an attitude toward them. If she believes that she will be able to successfully complete the course, she will feel very happy. If she feels she may not be able to complete the course, she will feel very disappointed. Thus she might wish to be successful, as that would make her feel happy (positive attitude).

3) The expectations of the consumer regarding the above outcomes. For example she might strongly believe that she is going to be successful or vice-versa.

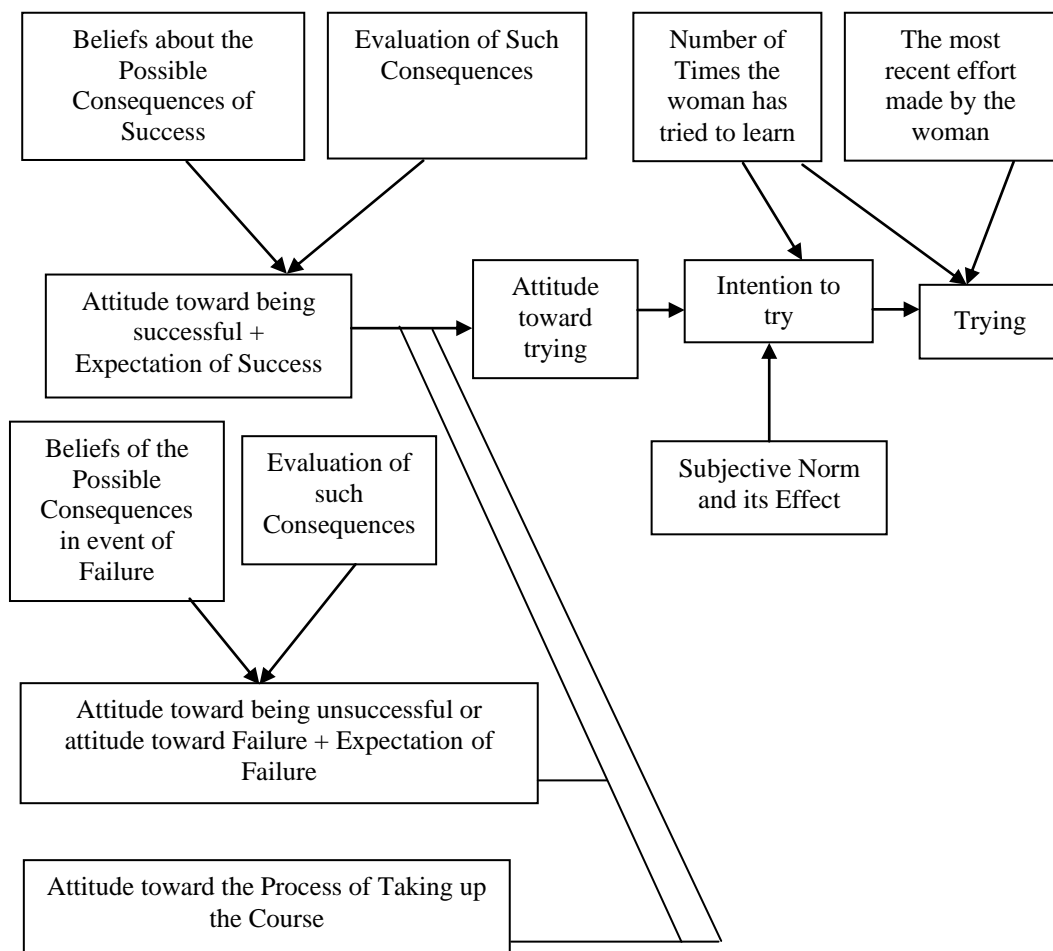
4) The subjective norm could be the consumer's perception of what her friends or parents in general would think about her action.

5) The number of times the woman has tried to learn cooking.

6) The most recent occasion when the woman took up a cookery class.

Figure 7.2 helps in understanding the above process.

Figure 7.2: Theory of Trying to Consume



Adapted from: R. Michael Solomon "Consumer Behavior", Prentice Hall Publication.

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Attitude toward the Ad Model

Consumers generally form attitudes toward even those products that they have never used before, nor are likely to use in future. Advertisements help in forming attitudes toward such products. For example, a person may be constantly exposed to advertisements of Nokia phones and this may lead him to form a positive attitude toward these phones, but this person may in reality never use a cell phone. Advertisers try to create a positive brand image among customers and follow several techniques to attract them. For instance, advertisements of detergent powders and soaps highlight their functional characteristics while certain other advertisements use emotions such as affection and humor to help the consumer in forming a positive attitude toward their products. Some ads even use aggression or shock to make an impression on consumers. McDonald's advertisement and the advertisement for Lehar Kurkure¹² present their message laced with humor. The advertisement for Johnson and Johnson baby products focus on the affection between a mother and a child. On the other hand, the advertisement for 'Eveready battery' uses aggression, where well-known actor Amitabh Bachchan demands the product saying, "Give me red!!"¹³

FORMATION OF ATTITUDES

We are not born with an attitude toward a product or service; attitudes are learned and they evolve as we grow up. We will now discuss how attitudes are formed. (Classical conditioning, instrumental conditioning and cognitive learning theory are elaborately discussed in Chapter 6.

Classical Conditioning

Attitudes about products are formed when one is constantly tutored about them over the years and they (the products) are repeatedly presented in a positive light., This is called classical conditioning. For example, Kelvinator's punch line "It's the coolest one" expects us to understand that it has a good cooling system compared to other brands. Sometimes marketers use advertisements to reiterate the benefits of a product. For example, the advertisement for Nestlé Munch chocolate when it was introduced contained the message 'crisp in taste and light to eat'. The present advertisement for Munch conveys the message that once a person starts eating Munch, they can't stop ("Jo Khaave, ruk na pave"). Thus, a person's attitudes toward consumption can be reinforced. Marketers also use repetitive advertising to create a positive attitude toward the product.

Instrumental Conditioning

Sometimes the consumer might purchase a product casually or as an immediate need. For example, one might try a new flavor of the Kurkure snack while waiting at the railway station or might purchase a sachet of a new shampoo as there is no other brand available. These purchases made incidentally could actually lay the foundation for the consumer's attitude toward that product. If in the above example the consumer liked the flavor of Kurkure, it may become that person's favorite snack. Thus, if the consumer experiences a favorable outcome from the product, he or she will develop a positive attitude toward it and vice-versa. This is known as instrumental conditioning.

Cognitive Learning Theory

Cognitive learning theories highlight the importance of learning through mental processing. Some of our attitudes toward products are formed based upon our experience with such products over a period of time. For example, Johnson & Johnson is known for its high quality baby care products. Young mothers prefer this brand for their infants and toddlers.

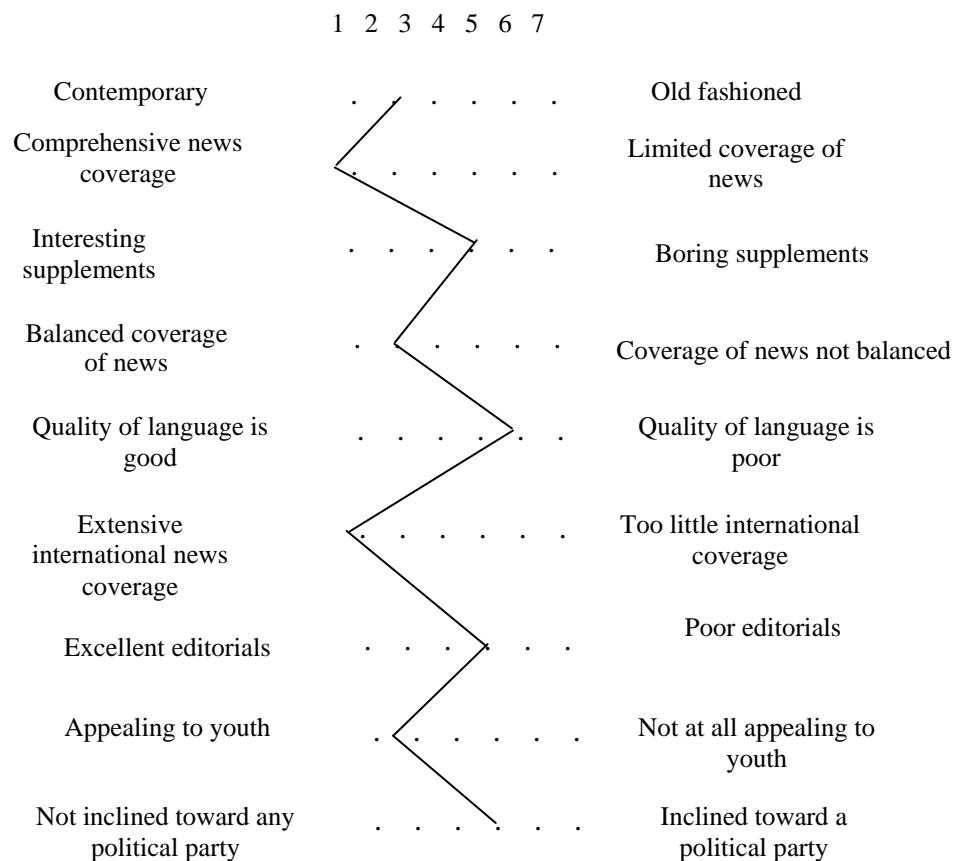
A new product introduced by the company will be seen in this light; so if Johnson and Johnson were to introduce a product such as a liquid milk bath, people would perceive it to be of the same quality as its other products - gentle on babies and high in quality.

MEASUREMENT OF ATTITUDES

Measuring attitudes helps the marketers to understand how the consumers will behave toward a product. Attitudes toward a product can be measured by using certain scales like the Semantic differential scale and the Likert scale of measurement.

Figure 7.3: A Semantic Differential Scale for Measuring the Attitudes of Respondents on a Newspaper

Given below is a semantic differential scale, where a respondent has chosen his options on a 7 point scale based on 9 bi-polar categories.



Adapted from Donald S. Tull and Del I. Hawkins. "Marketing Research – Measurement and Method." Sixth Edition, Prentice Hall of India, New Delhi: January 1998.

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Semantic Differential Scale

Semantic differential scales are used to describe the set of beliefs that underline the attitude of a person toward an organization, product, brand or any other issue. This scale is based on the principle that individuals think dichotomously or in terms of polar opposites such as reliable-unreliable, modern-old fashioned, cold-warm, etc. The respondents are asked to rate an attitude object on a set of itemized, seven-point rating scale bounded by bipolar phrases or adjectives. The initial process of developing a semantic differential scale starts with determining the object that has to be rated. Once the object that needs to be rated is determined, the respondents are asked to express their attitude toward the object using the dichotomous pair on a scale and such points are then plotted on a graph. This is the most efficient technique for determining the strengths and shortcomings of a product/service or a company in the market and can also be compared with the competition. Figure 7.3 shows the semantic differential scale that can be used to measure the attitudes of respondents on a particular newspaper.

Likert Scale

Likert scales consist of a series of statements where the respondent provides his answer in the form of the degree of agreement or disagreement that expresses his attitude toward the concept under study. The respondent selects a numerical score for each statement to indicate the degree of agreement or otherwise. All such scores are finally added up to measure the attitude of the respondent. Likert scales are very popular among researchers for measuring the attitudes of people. But in practical situations, commercial researchers will be more bothered about finding the respondents' attitudes toward the individual components, rather than their overall positive or negative attitudes. For instance, the manufacturer of a brand of cell phones will be more interested in finding out why people are not buying his brand rather than the respondents' attitudes toward cell phones in general. A typical Likert scale is shown in Figure 7.4.

THEORIES OF ATTITUDE DEVELOPMENT

So far, we have discussed that behavior is a result of attitudes. But there are certain theories on attitudes which suggest that behavior precedes attitudes. These theories further state that on the basis of behavior and experience, a person modifies his or her attitude. The theory of Cognitive Dissonance echoes the above suggestion and it is supported by the following theories, Self-perception theory; Social judgment theory; and Balance theory. Let us examine each of these theories.

Theory of Cognitive Dissonance

Dissonance is a state of discord that a person experiences between his or her attitudes and behavior. For example, a woman might believe that crash dieting is injurious to health and yet she diets and starves herself, as she wishes to maintain a slim figure. In this case, the attitude of the person is in conflict with her action or behavior. This kind of discord can be found among people who smoke in spite of being aware that smoking is bad for the health. The Cognitive Dissonance theory states that when a person is faced with such an inconsistency, he or she will take some action to resolve such a conflict. This action could involve changing the attitude or modifying the behavior. The desire of a person to change his or her attitude or behavior depends on the importance of the decision that they wish to take. This theory is of importance to marketers as every decision that a consumer makes involves choosing one product over another. Often, the consumer faces a conflict between his or her decision to buy a product and the fact that by doing so he is forgoing the features of alternative products.

Figure 7.4: Likert Scale

Given below is a Likert scale for evaluating the attitudes of customers toward an electric rice cooker. Here the respondents have not used the product but are aware of its existence.

Given below are some statements that describe how customers might feel about electric rice cookers. Please indicate your agreement or disagreement. For each statement given below, please circle the appropriate number to indicate whether you:

1- Strongly Agree, 2- Agree, 3- Neither Agree nor Disagree, 4- Disagree and 5- Strongly Disagree

	Strongly Agree	Agree	Neither Agree nor Disagree	Disagree	Strongly Disagree
The product is costly	1	2	3	4	5
I don't find time to use an electric rice cooker	1	2	3	4	5
Advertising of the product is not convincing enough	1	2	3	4	5
I have never used an electric rice cooker	1	2	3	4	5
I am satisfied with the way I am cooking rice right now	1	2	3	4	5
Using an electric rice cooker is a cumbersome process	1	2	3	4	5
Competitor's product has better features	1	2	3	4	5
The initial enthusiasm to use an electric rice cooker dies down at a later stage and it is permanently kept in the store room	1	2	3	4	5
The demonstration of the product given by the salesperson is not effective	1	2	3	4	5

Adapted from William G. Zikmund. "Business Research Methods." Thomson Asia Pte Ltd. Singapore: 2003.

Thus, he wishes to buy a product but also realizes he is missing out on the other benefits offered by the product that has been left out. If such feelings persist after purchasing a product, he is said to be having post-purchase dissonance. Post-purchase dissonance has been extensively discussed in Chapter 15.

Self-Perception Theory

According to the self-perception theory, a consumer has an opinion about his or her tastes and attitudes and these attributes of the consumer's personality are reflected in his actions. Therefore, a consumer tries to justify his purchase decision as the correct one. For example, a homemaker who purchases a particular brand of oil might instinctively believe that the brand is good as she is a person who always buys a good brand. This theory also helps in explaining the strategies used by door to door sales men, who follow the 'foot in the door' technique to make a person buy their product. This technique refers to the tactic that the salesmen follow wherein they get the consumer to let them into the house as they believe that once inside, they have a better

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chance to make a sale.¹⁴ The rationale behind this belief is that the consumer has communicated that he or she perceives the product to be good, or else they wouldn't have let the salesman inside. So if the consumer were to refuse a product, it would be inconsistent to a certain extent with his earlier attitude toward the product.

This theory also explains the 'low ball technique,' wherein the salesman first gets the consumer to agree to buy a product and then reveals the price. For example, a salesman after presenting a piece of jewelry to a consumer and winning her approval in the form of the consumer's admiration of design or craftsmanship of the jewelry reveals the price. Another technique could be to offer a consumer a highly priced model in a product category that the consumer finds to be expensive. Subsequently, the salesperson might present a lower priced product to the consumer. In such a case, the consumer, having rejected the first product, might find herself agreeing to buy at least the second product.¹⁵

Social judgment Theory

This theory states that a person will evaluate any new information (about a product), given to him in the light of the opinion that he already has about that product. For example, a woman might have a favorable attitude toward western dresses, as she considers it more professional and comfortable while working. Such a person will welcome Allen Solly's new collection of apparel for working women. On the other hand, if she has a negative attitude toward western wear, she will not receive the information about Allen Solly positively. Thus, consumers normally judge messages on the basis of the information they already have and the attitude they have about a product. In the above example, Allen Solly's advertisement is said to be in tune with the attitudes of the woman and so she found it acceptable. Every person has a zone of acceptance or rejection within and whether she will accept or reject a message depends on this. If a person is highly involved with the product, she will have a narrow zone of acceptance; in other words a person looks for a specific set of characteristics in a product and will reject anything that even slightly differs from her expectation from that product. It is very difficult for a marketer to change the preferences of such people, as they are extremely brand conscious and scrutinize the advertisements thoroughly, to see if a product is in keeping with their expectations. For example, a person might prefer the line of clothes offered only by Armani as he likes the way the clothes are designed or styled and cut. Such a person will not readily switch over to any other brand of clothes. On the other hand, a person who is not very involved with a product might have a wider zone of acceptance and hence can be easily persuaded buy other brands of clothes.

Balance Theory

The Balance theory states that a person's view about a product includes three dimensions: 1) the person's perception about the product, 2) what other people think about the product, and finally 3) what the product itself communicates, in reality. In short, a person perceives a three-dimensional relationship between his views about the product and how he perceives other people to think about the product, and finally the product itself. Thus, a person examines a product from three points of view. This is called a triad. For example, a consumer 'A' has a positive opinion about the motorbike, Bajaj Caliber, and is planning to buy it. If 'A' values the opinion of his best friend 'B,' in choosing a bike and if 'B' also has a positive view about Caliber, there will be a balance of relationship between the bike and the two people. However, if there is a conflicting (negative) relation between any of these elements, there will be an imbalance. Such an imbalance will lead to tension in the consumer. The consumer 'A' is then urged by the tension created due to this imbalance to either change his perception, or change 'B's' perception, or opt for another product that both of them like. In this way, a person tries to seek and retain a balance in the relationship of these three dimensions.

Exhibit 7.3

Advertisements Reflecting the Role Played by the Indian Woman as a Consumer

The advertisement for Ariel detergent depicts the changing role of a woman in society. It shows a husband preparing a meal for his wife who is working late. He accidentally drops some food on his shirt. Luckily, Ariel helps him wash it clean. The wife walks in during the end of the advertisement to find a delicious meal laid out for her. Similarly, women are shown enacting new roles in the advertisements. For example, the advertisement for Fair & Lovely cream, shows that the fairness cream can give a young girl the confidence to pursue her dreams and become a 'cricket commentator'. The Tata Sumo Victa advertisement shows how a woman shoulders the responsibility of her entire family. Thus, today's advertisements no longer focus on the traditional picture of the Indian woman; who was either the quintessential caring and diligent mother or a subservient wife and 'daughter-in-law'. On the other hand, Grey Cells (a strategic planning division of Grey Worldwide, a marketing agency), which conducted a survey on women aged between 19 and 24 years in five metropolitan cities and four mini-metros revealed that traditional attitudes are crumbling. The women now believe in being financially independent and they are ready to spend more money on themselves.

*Adapted from "Finding Ms Big" Our Advertising & Marketing Bureau 10 April 2004 <
<http://www.domain-b.com>; Preethy Ann Kochummen; "What Lurks Within" www.etretailbiz.com; "TVC
Storyboard - Fair & Lovely". www.agencyfaqs.com.*

ATTITUDE CHANGE

Attitudes that are formed about the various objects of the world can change. A person's perception about his or her self image or a view about the product or service can alter. Some of the changing attitudes of the Indian consumers are reflected in the increase in late marriages, increased expenditure on personal consumption items, gifts, and entertainment. Also more and more people are adopting and celebrating many western traditions like Valentine's Day, Mother's Day, Friendship Day, etc. Marketers study such cues and present their product to appeal to the attitudes of the consumers. Advertisements are designed to reflect consumers' attitudes. In recent times, the role played by women as consumers has changed. Marketers have realized this and they now are designing and presenting products that will appeal to the Indian woman. Exhibit 7.3 shows how the attitude of an urban woman has changed in India and what effect this change has had on advertisements and marketers.

As attitudes can change, it is important for the marketers to alter the consumers' attitudes in favor of their products and services. The following are the four possible ways in which marketers can alter the attitudes of their consumers:

1. By altering the consumer's perception about the functions of a product.
2. By giving the consumers a new perspective about the product by associating the product with famous people or organizations.
3. By presenting the product in a new light to the consumers by altering the various features of the product.
4. By trying to change the consumer's beliefs regarding the competitor's products.

Let us examine the four methods of changing attitudes in detail.

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Changing the Function that the Product Serves

We have discussed earlier in the chapter that each attitude serves a specific function such as a utility function or value-expression, ego-defense, or knowledge function. A marketer can try to alter either these functions or present another function that it could serve. For example, the marketers can try to change or add to the utility function of a product, as done by Procter & Gamble, which launched Ariel detergent in a new fragrance, called 'Ariel Spring clean'. The advertisement for Ariel Spring clean tries to add to its utility function by saying that it not only provides the cleanest wash for clothes, it also keeps them smelling fresh. Also, by identifying the new functions that a product can serve, the consumer's attitude toward a product can be changed. For example, the advertisement for Zandu balm conveys the message that apart from headaches, the balm can also be used for relief from backache and cold, "*Zandu Balm. Ek balm, teen kaam.*"

Associate the Product with a Famous Personality or an Established Organization

The marketers can associate the product with a famous personality or an established organization to help consumers develop a favorable attitude toward it. For example, the Sahara group of industries with their official sponsorship of the Indian cricket team and their punch line "Bharat Hamaara Hum Hain Sahara" projects itself as a patriotic brand and thus generates a positive attitude toward it among people. Marketers can associate themselves with charity organizations to enhance their brand's image among the customers.

Changing Attitudes by Presenting the Product in a New Light

Marketers can change the attitudes of customers toward their products by presenting the product in a new light. For example, Liril soap was presented in a cool "blue" color to emphasize its freshness. Marketers can also add a new feature to the product to authenticate a claim made regarding its quality. For example, Bisleri came up with its tamper proof lock to signify its purity. Clinic Plus added new features such as 'liquid protein' and came up with the first 'non sticky' hair oil called 'Clinic Plus hair oil' claiming to nourish the hair without making it sticky.¹⁶

Change the Beliefs of the Consumer Regarding the Product

Marketers can change the attitudes of the customers by changing the beliefs they have about the product. For example, Lifebuoy's new ad shows how a bunch of kids take up the initiative to clean up their colony. This ad reflects the confidence that Lifebuoy provides them with its ability to fight germs. Lifebuoy had always been a "problem solution brand,"¹⁷ projecting itself as a soap that gives complete protection from germs. With this advertisement, Lifebuoy tried to change its image to "no problem" soap.

Try to Change the Perception of the Consumer

Finally, a marketer can try to change the attitudes of a consumer by bringing about a change in the consumer's beliefs and perception of a competitor's product. For example, Hindustan Lever Limited conducted the Dove test wherein consumers were asked to use a litmus paper to check the pH content in the brand of soap they used. And they were then asked to check the pH content in Dove. In this way, HLL tried to change the perception of customers about competitive brands.

INVOLVEMENT

Involvement is the level of interest that a consumer has in a product. How involved a consumer is in the product is relevant to the marketer. Consumers normally purchase a product like a gas lighter or a matchbox without evaluating the alternatives available, nor checking the various brands available. They are normally less involved in purchasing products for which they do not have to do an extensive information search. However, while buying a product like an audio system, the consumer tries to gather information about the various brands available in the market. He or she will then try to find out the various features offered by each of these brands. And finally, the consumer will also consider the opinion held by others regarding that product. The level of involvement of a consumer in the product will also determine the strategies that a marketer can use to stimulate a positive attitude toward the product. Involvement theory is elaborately discussed in Chapter 3.

Strategies followed by Marketers to Increase the Involvement of Consumers

Marketers follow several strategies to increase the involvement of the consumers in their products and services. We will discuss some of the major strategies in the following sections.

Try to change the belief the consumer has about the outcome of using the product

Marketers can resort to this strategy when consumers have limited knowledge about the product. For example, if consumers were to believe that Godrej hair color was not of the same quality as foreign brands L'Oreal and Nutrisse, the marketers could highlight that the fact that the ingredients used by Godrej are authentic and clinically tested to meet international standards. Marketers can also point out the drawbacks of a product that the consumer is currently using. For example, Saffola cooking oil claims that food prepared using ordinary cooking oil is greasy and harmful to health.

Try to change the perception that the consumer has about the outcome of using a product

The perception of the consumer about the outcome of using a product can be changed. For example, Fair and Lovely is trying to move from its earlier concept where its advertisements showed that women who were fairer were successful, either in marriage or in career. Its recent advertisements focus on the confidence aspect of the consumer rather than the beauty aspect. The advertisement shows how a young lady (who is a lawyer) fights to ban such fairness creams that make false claims about lightening a person's complexion and making them fair.

Encouraging consumers to stick to their own beliefs

Marketers focus on encouraging customers to stick to their beliefs. For example, the advertisement for Ayush anti-dandruff shampoo shows a new bride readily accepting all the adjustments that her mother-in-law asks her to make in her new house. But when it comes to using another shampoo, the young bride firmly states that she will not compromise and will use only Ayush anti-dandruff shampoo.

SUMMARY

Attitudes have been understood as learned predispositions that project a positive or negative behavior consistently toward various objects of the world. The tangible and intangible objects, toward which one can form an attitude are called attitude objects. Attitudes influence the way we think and behave and are therefore important for the marketers who study them to understand how a consumer behaves. Attitudes have

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certain characteristics. They are formed as we grow up, based on the environment in which we grow up. Attitudes can be either of a high or low degree and the intensity depends on the strength of conviction with which the person believes in them.

Attitudes serve various functions such as utilitarian function, value expressive function, Ego-defense function, and knowledge function. Attitude models were developed by psychiatrists to understand the relationship between attitudes and human behavior. These models help the marketer in understanding how attitudes influence a person's behavior as a consumer. These models are: Tri- component model, multi-attribute model, Theory of trying to consume, and Attitude toward the ad model. Attitudes are formed through classical conditioning, instrumental conditioning, and cognitive theory. Attitudes are measured using the Semantic differential scale and Likert's scale to understand how the consumer might behave toward a particular product. While it is generally accepted that attitudes influence behavior, there are some theories that state that behavior precedes attitudes. Such theories are cognitive dissonance theory, self-perception theory, social judgment theory, and balance theory. Attitudes toward a product can be changed by highlighting new functions of the product, or by associating them with celebrities, by changing the beliefs a consumer has regarding the products, or by getting the consumer more involved in the product.

End Notes:

- ¹<http://www.psych.umn.edu/courses/spring04/BorgidaE/psy5202/images/Attitude%20Definitions.pdf>
- ² "Attitudes and Attitude Change"
<<http://www.chssc.salford.ac.uk/healthSci/psych2000/psych2000/attitudes.htm#attitudes>>
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- ⁷ Johar, J. S. & Sirgy, Joseph. M. "Value Expressive Versus Utilitarian Advertising Appeals: When and Why to Use Which Appeal." Journal of Advertising. Vol. 20 Issue 3, Sep 91, p 23.
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- ¹⁰ Bagozzi, Richard P.; Wong, Nancy; Abe, Shuzo & Bergami, Massimo; "Cultural and Situational Contingencies and the Theory of Reasoned Action: Application to Fast Food Restaurant Consumption," Journal of Consumer Psychology, Vol. 9 Issue 2, 2000. p97.
- ¹¹ Richard P. Bagozzi & Paul R. Warshaw. "Trying to Consume." Journal of Consumer Research vol 17. Sep 1990.
- ¹² Lehar Kurkure is a branded snack food belonging to Pepsi Foods
- ¹³ Lavidge, Robert J. & Steiner, Gary A. "A Model for Predictive Measurements of Advertising Effectiveness." Journal of Marketing. Oct. 1961.
- ¹⁴ Burger, Jerry M. "The Foot-in-the-Door Compliance Procedure: A Multiple-Process Analysis and Review." Personality & Social Psychology Review. Vol. 3 Issue 4, 1999, p303.
- ¹⁵ Freedman, Jonathan L. & Frazer, Scott C. "Compliance without Pressure: the Foot-in-the-Door Technique." Public Relations Quarterly. Vol. 12 Issue 1, Spring 67, p34.
- ¹⁶ <http://www.agencyfaqs.com/tvc/sboard/clinicplus1_3005.html>
- ¹⁷ Vaid Dixit, Sumita. "Lifebuoy Assures Hygiene for All"
<<http://www.agencyfaqs.com/news/stories/2005/03/10/10992.html>>

Part III
Consumer in Social Context

Chapter 8

Reference Groups and Opinion Leadership

In this chapter we will discuss:

- Defining Reference Groups
- Important Reference Groups and Appeals
- Defining Opinion Leadership
- Identifying an Opinion Leader
- Communication and Opinion Leadership

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One fine afternoon, Dinah, a 22-year-old pre-med student of South California University, USA, mixed some nail paint to match a pair of blue sandals. The perfect baby blue color caught the attention of friends and they pestered her to make some nail paint of that color for them too. Soon, the whole campus was abuzz with the talk of the exciting blue color, and suddenly everyone wanted it. Dinah found herself mixing paint in her bathtub to cater to the demand. Thus, 'Hard Candy' was born. The product was initially sold through a few exclusive local retailers and saloons, purely driven by word-of-mouth. It hit the jackpot when Hollywood teen icons, Drew Barrymore and Alicia Silverstone, were seen sporting it. 'Hard Candy,' by then available in many exciting colors, became a fashion trendsetter, an iconic street style statement, and a must have for every young girl. It emerged as a \$30 million brand, in three years flat.¹

As we can see from this example, people with whom one interacts, like friends and family, and those whom one admires, like celebrities, can influence one's choices and purchase decisions to a great extent. Thus for marketers, the study of interpersonal communication among various groups of people becomes imperative. In this chapter, we will study reference groups, their importance, and their influence over an individual consumer. We will also study the nature of opinion leadership and its role in group dynamics. Types of opinion leaders, tools to identify opinion leaders, and the impact of word-of-mouth, will also be briefly discussed.

DEFINING REFERENCE GROUPS

Human beings by nature like to be a part of one group or another. A group, therefore, consists of two or more individuals who have some common goal or some common values, beliefs, and aspirations. The relationship among group members can be either explicitly defined like that of say, family, association, club, etc., be implicit like that of a group of highly influential celebrities or sports stars who are referred to as a group by their fans. A reference group, on the other hand, is a group of individuals whom one refers to or who serve as a point of reference, with regard to formation of behavior, beliefs, attitudes, and aspirations. Marketers view reference groups as people who are consulted or who influence an individual's purchase decisions.

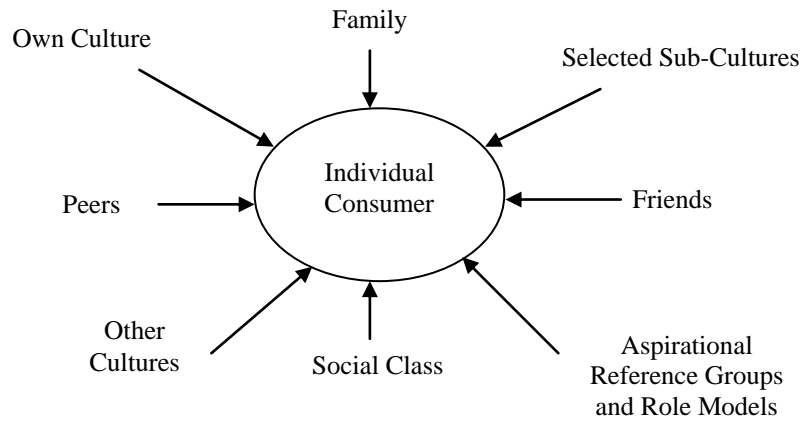
Reference groups can be broadly classified as normative reference groups and comparative reference groups. Normative reference groups influence the referent's overall values and behavior (e.g., family), while comparative reference groups are the ones that the individual aspires to and which serve as a role model for attitude or behavior (e.g., seniors at office, movie stars, etc.). It is likely that the normative reference group affects, to a great degree, the influence of the latter (comparative reference group) on an individual.

Reference groups can also be classified as direct and indirect reference groups, on the basis of interaction with the referent. In a direct reference group, there is personal interaction with the referent, say, a family member, friend, peer. In an indirect reference group, there is no personal interaction with the referent, like in the case of politicians, cricketers, or movie stars. Someone you admire for good dress sense but haven't ever talked to, is also an indirect referent. An indirect reference group is sometimes referred to as an aspirational reference group.

The reference group may be identified as having a positive or negative reference for an individual. Groups from which people try to distance themselves due to their negative influence are known as avoidance groups, say dressing macho to avoid gay tag.

Reference Groups and Opinion Leadership

Figure 8.1: Important Consumer Reference Groups



Adapted from Leon G. Schiffman and Leslie L. Kanuk, Consumer Behavior," (Prentice Hall India, 7th edition), 265.

Reference Group Influence

An individual's reference group may be as small as a family or as big as a nation or culture (see figure 8.1). Indian youth, for example, are often accused of aping the West with respect to their attitude toward life in general, their behavior toward family and friends, and aspirations in life. Indian youth today aspire to purchase Armani, Gucci, Valentino; to drive a Mercedes and to go to Switzerland for holidays.

Forms of reference group influence²

The influence of a reference group can be of various types – informational influence, utilitarian influence, and value-expressive influence. (Refer to Table 8.1 for some statements that manifest the three types of influences and Table 8.2, which gives related examples.)

Table 8.1: Statements Manifesting Different Forms of Reference Group Influence

Information influence	The individual seeks information about various brands from an association of professionals or independent group of experts and from those who work with the product as profession
	The individual seeks brand-related knowledge and experience (brand comparison) from those friends, neighbors, relatives, and peers who have reliable information about the brands.
	The brand the individual selects is often influenced by certification given by an independent testing agency; the individual's observation of what experts do; and/or the individual's observation of what an admired senior or neighbor does
Utilitarian influence	The individual's decision to purchase a particular brand is influenced by the preferences of fellow workers and/or preferences of the people with whom he or she has social interaction.
	The individual's decision to purchase a particular brand is influenced by the preferences of family members and close friends.

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	The desire to satisfy another's expectations of him or her, has an impact on an individual's brand choice
Value-expressive influence	The individual feels that it would be nice to be like the type of person that advertisements show using a particular brand.
	The individual feels that the possession of a certain brand, which is used by certain people, whom he admires, will also give him the same kind of image.
	The individual feels that the purchase of a particular brand would help show others what he or she would like to be (such as an athlete, successful business person, good parent, etc.)

Adapted from C. Whan Park and V. Parker. Lessig, "Students and Housewives: Differences in Susceptibility to Reference Group Influence," Journal of Consumer Research, Sep77, Vol. 4, Issue 2.

Table 8.2: Consumption Situation and Reference Group Influence

Situation	Behavioral Response	Type of Influence
Rahul wants to take an important client out to lunch and a good friend recommends Hotel Green Park's restaurant – 'Once Upon A Time.'	Rahul takes his client to the same restaurant.	Informational
Rahul has observed a lot of his colleagues taking their clients out to lunch at Hotel Viceroy.	Rahul takes his client to Hotel Viceroy.	
Rahul's boss had taken an important client to Taj Banjara only last week.	Rahul tries out Taj Banjara.	
Rashi goes to college wearing a new orange Adidas T-shirt she bought only yesterday, but her friends make fun of it.	Rashi dumps the T-shirt.	Utilitarian
All of Rashi's friends wear branded clothes, which, to her, don't seem very different from the unbranded, fashionable clothes she wears.	Rashi buys more of branded clothes.	
An ad emphasizes, "body odor – one of the reasons why people you want to stay with, stay away from you."	Rashi buys the mentioned deodorant.	
Many of Revathi's friends drink coffee to stay active at work.	Revathi decides that coffee is actually good for being active at work, and starts drinking coffee every day at work.	Value-Expressive
Revathi notices, over a period of time, that most successful working women wear cotton sarees.	Revathi believes that cotton sarees are the proper work-place attire for women and builds up a wardrobe of cotton sarees.	
Revathi has seen that all her peers have chauffeur driven cars.	She feels that it is appropriate at her occupational post to have a chauffeur driven car, so instead of driving on her own, she hires a driver.	

Adapted from Del I. Hawkins, Roger J. Best, and Kenneth A. Coney, Consumer Behavior, Building Marketing Strategy, Tata McGraw-Hill, 2003, 234.

Reference Groups and Opinion Leadership

Figure 8.2: Relationship between Product Visibility and Product Choice by Consumers

		Type of Product	
		Luxury	Necessity
Product Visibility	High	Reference Group Influence is high on both Product and Brand	Reference Group Influence is low on product but high on brand
	Low	Reference Group Influence is high on product but low on brand	Reference Group Influence is low on both product and brand

Adapted from Del I. Hawkins, Roger J. Best, and Kenneth A. Coney, Consumer Behavior, Building Marketing Strategy, Tata McGraw-Hill, 2003, 235.

- *Informational influence:* It adds to the individual's existing knowledge and/or helps him/her to take certain decisions or handle certain situations. The information regarding markets, stores, products, or brands can be either actively sought from a direct reference group or by drawing inferences from observing indirect reference groups. An individual, who has information about a particular product, or usage experience with the product, is less likely to be influenced by reference groups. A person with little information about the product, on the other hand, is more likely to seek information from reference groups like family, friends, or peers, before reaching a decision regarding purchase.
- *Utilitarian influence:* It occurs when a group member does something to conform with group norms. Each group member is expected to comply with the group rules. To ensure compliance, an explicit or implicit reward and punishment system can also be employed by the reference group. So an individual may wear a brand of clothes to impress his/her friend circle and meet their expectations or to avoid certain unpleasant comments. This kind of reference group influence has a greater role in case of highly visible products like clothes and car, and luxury products like designer furniture, luxury cars, and designer jewelry (Refer Figure 8.2). This group is not only consulted to a greater extent while making such a purchase, but the products themselves are often purchased with a view to impress group members or to meet their expectations.
- *Value-expressive influence:* This kind of influence results from internalization of group values, i.e., nurturing the same beliefs and values as other members in the group. The individual also follows the group behavior, simply because of his or her liking for that group. For example, if a group of college students believe that a morning walk is good for the health, the rest of the students also gradually come to believe that it is indeed good for health. There is no threat of punishment and no expectation of rewards. The individual and group share the same goals, beliefs, values, or aspirations.

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Reference Groups and Conformity

Conformity has been defined as “action or behavior in correspondence with socially accepted standards, conventions, rules, or laws.”³ People usually conform to the expressed and implied rules of various groups in day-to-day living. Conformity is a result of many factors like cultural pressure (Indian women wearing sarees after marriage), fear of penalty (demotion or suspension or expulsion from the group), commitment to the group (the greater the commitment, the more the conformity), group unanimity, size, and expertise (it is difficult to go against the decision of a big group, especially if one knows that they have more experience with respect to the situation being considered), and personal influences (need to enhance personal image in the eyes of a significant few).

Nonconformity or anti-conformism is a state where an individual willingly goes against existing social norms so as to be different from everyone or simply because he or she does not agree with them. While many youngsters will rush for the *in-styles*, i.e., the latest in fashion, anti-conformists will do just the opposite. Non-conformism also finds its origin in the desire of people to maintain freedom of choice.

Most marketers bank upon consumer conformism and try to influence group leaders and other influential individuals to use their products. An example of this is sports apparel marketers using influential sports people and team captains to capture the market for active sports players. Once the team leaders and other influential players adopt the brand, the group purchase decision is legitimized. Some marketers focus on consumer individuality and give them the choice of doing their own thing, like customized T-shirts, cars, etc.

IMPORTANT REFERENCE GROUPS AND APPEALS

There are many reference groups that a consumer consults while making a purchase. Some of the major ones are – friends, shopping groups, work groups, virtual communities, brand communities, and consumer action-groups.

Friends

Friends are major influencers of a lot of consumption choices of an individual and come next only to the family. They are categorized as informal groups because of lack of any structure or hierarchy. Friends provide the first social circle an individual has outside family and provide a sense of independence and companionship. Thus, marketers especially for the kids market, depict themes related to fun, freedom, and friendship. Examples are ads for Maggi’s 2-minute noodles targeted at children, or the ones for Gini & Jony ‘Freedom Clothing.’

Shopping Group

A shopping group or purchase pals are the people who accompany consumers while they go out shopping. They are usually one’s family members or friends. Purchase pals not only go with the shoppers, they also assist them in their decision making with respect to choice of products and brands. In case the shopping venture is planned with a particular product in mind, the individual prefers to have a like-minded person who is known to have good taste in that product. Sometimes, none in the group has much knowledge about a particular product one has to buy, say, a high involvement product like a cell-phone. In such a case, the group will take a collective decision.

In-home shopping party is another shopping scenario where a shopping group gathers at the home of a group member, who acts as host. The purpose of such a get-together is to evaluate the product line of a brand. Such parties are quite profitable for marketers as many people buy the products -- either because they genuinely like the products, due to a sense of obligation toward the host, or just because everybody else is buying them. Many direct marketers like Tupperware and Amway, follow this approach.

Work Groups

A huge amount of a working individual's time is spent at the workplace. Peers, subordinates, and superiors, all are part of work groups, which can be formal or informal. A formal work group will comprise people working in a team with a certain hierarchy while an informal work group will comprise people who have become friends while on a job, irrespective of which team they belong to or which position they are working at. Many marketers target people at the workplace during lunch-breaks or after –work, which increases the importance of work groups in consumption and purchase decisions made at work.

Virtual Communities

The Internet has become an important part of life today, from checking e-mails to searching for information to chatting to online shopping. The Internet also provides a platform for people to exchange views. Virtual communities or groups are gaining popularity with people due to varied socio-cultural changes like increasing number of working parents, nuclear families, one-child households, high mobility of households due to transferable jobs, or simply job-hopping. All this means that parents have less time for their children and families have low social interaction due to frequent shifting.

With an increasing number of people having access to the Internet through the office, home, or net cafés, virtual communities are providing a social environment to people where they can discuss whatever they want to without seeing each other, or getting biased over appearance, sex, or religion. The Internet also provides anonymity, which is not the case in other social interaction situations. This encourages users to speak freely. An increasing number of virtual groups based on specific interests like photography, dance, music, technology, etc., make virtual communities an attractive source of information for individual members who use this wide pool of personal experience of other virtual members while making a purchase decision.⁴ Marketers generally target virtual community members who have strong social ties in the virtual group and a strong interest in the relevant activity for which their brand is useful, say a racing shoe brand being marketed to a virtual community with interest in racing.

Brand Communities⁵

Brand communities consist of people who are users of a particular brand. Traditionally, relationship marketing has been used as a tool to build a bond between the consumer and the brand, but brand communities have a triad model in which even consumers of the brand interact with each other. These brand communities may be concentrated geographically or scattered. Many marketers have identified the importance of brand communities, which not only emotionally bond the consumers to the brand but also increase consumer loyalty and positive word-of-mouth publicity. An example of a very strong brand community is the H.O.G. (Harley Owners Group), which was started in 1983 and instantly became the largest factory-sponsored motorcycle club in the world. The club's membership has increased tremendously, going up from 90,000 in 1989 to more than 5,00,000 by the year 2000.⁶

Consumer-Action Groups

Consumer-action groups are effective influencers in consumer decision making as well as general behavior. Consumer action groups work together to support a common cause, which can be AIDS awareness in red light areas, an anti-drugs campaign,

Consumer Behavior

disaster control, public health, or any other cause that affects people in general. The people behind such movements are usually volunteers, working with the motive of recognition or just in the interest of a collective group need.⁷ A consumer-action group can be short-term, in response to a specific consumer abuse (an action group of residents formed to protest opening of a liquor shop in a residential area) or long-term, to tackle a highly entrenched social problem. An example is the 'Clean Clothes Campaign' (CCC)⁸, which started in the Netherlands in 1990 and was adopted by Western European countries, USA, and UK, in the following years. CCC has mobilized consumer power to pressure clothing brands to conduct social and environmental audits of the manufacturing units across various countries. The CCC is aimed at improving the working conditions of labor in international garment manufacturing units, many of which are beset with problems like child labor, sexual abuse, forced overtime, low wages, wage discrimination, etc. Big retailers like Wal-Mart and J.C. Penny, sourcing their clothing and related merchandise from such exporting units, have started demanding compliance on these issues from the garment manufacturing units.⁹

Illustration 8.1: Consumer Action Group: A Logo by Clean Clothes Campaign



Source: www.michele-laframboise.com

Marketers use specific reference group appeals based on their knowledge of their target market and the nature of the product. Such reference group appeals are celebrity appeal, expert appeal, common man appeal, executive and employee appeal, and spokes-character appeal.

Celebrities¹⁰

Celebrities are the favorites for promoting products as far as marketers are concerned. Usually, the celebrity is chosen with a particular target segment in mind, like a young, fresh, and vivacious Preity Zinta as the Liril girl, or a celebrity endorser with universal appeal like Amitabh Bachhan for products targeted at a larger audience. Celebrities, especially movie stars and sports icons, have huge fan followings and marketers piggy bank on this chunk of population following their stars, and using the brand their favorite celebrity does. It is essential that the celebrity and the brand personality are the right match, as a mismatch will confuse the consumer and also affect the image of both the celebrity and the brand.

In a growing market, such endorsements help accelerate brand acceptance while in a mature market, they help attract competitors' consumers. Celebrity appeal imparts to a brand believability, better recall, recognition, a positive attitude toward the brand, and profitability.

Reference Groups and Opinion Leadership

Illustration 8.2: Celebrity Endorsement



Celebrities can be used by giving testimonials (based on usage experience, e.g., Amitabh Bachhan for Dabur chyavanprash and Navratna oil); through endorsements (promoting a brand or product in which they may or may not be experts by lending their name and appearing in commercials, e.g., Sachin Tendulkar for TVS), as a spokesperson (brand representative or ambassador, e.g., Aishwarya Rai for Longiness watches), or as an actor in a commercial (character endorsement, e.g., Shahrukh Khan and Preity Zinta for Hyundai Santro). (Refer Table 8.3 for other examples of brands endorsed by popular Indian celebrities.)

Celebrity appeal comes at a huge cost, and an exclusive contract with the celebrity is extremely expensive. Thus, we see the same celebrity endorsing a variety of products. However, this kind of high exposure might lead to erosion in the credibility of the celebrity endorser and the intended economic impact not taking place as the target consumers may have seen the same person endorsing varied products within a short span of time. Some analysts believe that it may even lead to a negative attitude toward the endorser and the brand being promoted. Brands also run the risk of their images being hurt when celebrity endorsers get involved in some controversies.

Table 8.3: Some Examples of Celebrity Appeal

Amitabh Bachhan	Emami, Navratan oil, Pepsi, Dabur chyavanprash, Cadburys
Shah Rukh Khan	Hyundai Santro, Videocon
Aamir Khan	Titan
Vivek Oberoi	Vanilla Coke
Preity Zinta	Maggi Noodles, Lays, Hyundai, Perk
Aishwarya Rai	DTC diamonds, Longiness Watches, Lux
Sachin Tendulkar	Pepsi, Boost Milk Additive, Tiger Biscuits
Saurav Ganguly	Sona Chandi Chyavanprash, Pepsi, Tata Indicomm
Sania Mirza	Tata Tea

Source: ICMR Center for Management Research.

The Expert

The expert appeal uses experts in a particular product to endorse the brand. This kind of reference group appeal not only brings immense credibility, but also is quite inexpensive as compared to celebrity appeals. An example is Sanjeev Kapoor (a master chef from India) endorsing Tata salt.

Illustration 8.3: Use of an Expert by Sunsilk



The Common Man

The common man appeal uses an ordinary individual's product or brand experience. Consumers relate better to this person who is just like them and who has had a positive experience with the brand. An example is that of Dove soap from HLL, which used testimonials from satisfied women who had used Dove. This kind of appeal is now used by many brands like Livon hair lotion, VLCC weight loss campaigns, and Harpic toilet cleaners. Sometimes slice-of-life commercials (commercials which depict everyday life situations of people) are used to help consumers identify better with common every-day problems and real life situations, and adopt the brand solutions that helped solve the problems. Some examples are Crocin Pain Relief, Vicks Vaporub, Junior Horlicks, Airtel, and Pepsodent.

Illustration 8.4: Slice of Life




The Executive and Employee Spokesperson

The concept of 'CEO as the brand ambassador' has picked up in the past few years with Richard Branson serving as spokesperson for the Virgin Group, Narayana Murthy for Infosys, Bill Gates for Microsoft, and Azim Premji for Wipro.¹¹ The executives and employee promoters can effectively communicate their faith in the brand to the consumers. This is true especially in the service industry where consumers have direct interaction with the marketers.

Illustration 8. 5: Employee Spokesperson

Q & A
2.6

Wealthy Families Need A Global Trusted Advisor



Deepak Sharma
President
Asia Pacific and Middle East Private Banking

Q: Is it true that Private Banking is changing?

A: Yes. Clients which are seeking an information becomes globally available. At some institutions, Private Banking still consists of a personal banker selling mutual funds. The Private Bankers at The Citigroup Private Bank act as global trusted advisors to many of Asia's and Middle East's wealthiest families. What set do today looks very like Investment Banking for private individuals.

Q: How do you earn this trust and become a "Trusted Advisor"?

A: Primarily there are three. First, you need to be truly objective and put the client above all. This will act as the client's best interest and bring them the best ideas or products in the market - not just your own best ideas or products. Second, you must be holistic in approach. A client's family situation, risk appetite and future plans must be understood before good advice can be given. Third, you must have a platform that is capable of delivering global solutions. Put these three together and you can really add value.

Q: Who can benefit from your services?

A: You really need to have a net worth in excess of US\$1 million for us to add significant value. Most of our clients have significantly more wealth. Optimal benefit can be obtained by those with international assets, exposure to foreign markets and currencies and diverse property, business and family interests. Therefore, wealthy families and wealth preservation can benefit - we are not suited for single commodity shoppers.


Q: What kind of services do you have?

A: Wealth and Investment Citigroup - almost everything. We bring our Private Banking clients access to Capital Markets, Wealth Structuring, Credit Insurance, Trust And Estate, Investment Management, Foreign Exchange, Banking, Private Client Relationship - you name it.

Q: As a new client, where should I start?

A: Tell me about yourself.

To have a dialogue with us in Singapore or Hong Kong,
call (65) 6227-9188 or (852) 2568-8833.



Consumer Behavior

Spokes-Characters¹²

The spokes-character is a fictional person created by the marketer that closely resembles the brand personality or just helps deliver the brand message with greater effectiveness. It can be a person or an animated character, new persona or a well-known cartoon character. This kind of appeal can help draw consumer attention due to the friendliness of the appeal, the fun factor, or just because it is different from the usual advertising. Some examples are Ronald of McDonalds, Onida's Devil, and Amul's utterly butterly girl.

Illustration 8.6: An Animated Spokes-character



Animated spokes-characters have a special significance where kids are concerned and are very powerful media to influence them. A lot of advertising is targeted at kids due to their 'pester power'¹³ (Pester power is popularly used to describe the direct influence kids have on the household spending). Consumer action groups and parents in some countries have been protesting against advertising focused on kids and the use of animation or popular cartoon characters to influence their product/brand preference.

Other Reference Group Appeals

Some other major reference appeals which influence consumer behavior to a great extent are – special interest magazines (a photography magazine, for example, referring to a specific camera of a brand as a must for beginners); prominent retailers (a popular fashion clothing retailer, for example, can greatly influence consumers by describing some merchandise of a brand as *in-style*); product ratings (top 5 or top 10 ratings of various brands, movies, music albums, cars, business schools, tourist destinations, can influence consumers' future choices); and seals of approvals (various health-oriented products getting approvals from the Indian Medical Association (IMA) or toothpaste marketers getting the approval of the Indian Dental Association (IDA) to support their claims).

DEFINING OPINION LEADERSHIP

In reference group influences, we studied about informational influence, i.e., seeking advice from people whom we consider knowledgeable and/or experienced in a particular product/brand. There are many such people around us whom we perceive as experts in one thing or the other. We seek advice from them in their respective area of expertise. Such people are known as opinion leaders and people seeking advice from

Reference Groups and Opinion Leadership

opinion leaders are known as opinion seekers. A family friend who knows a lot about bikes and also runs a garage can prove to be a better source of information when a bike is to be purchased than a close friend who is very knowledgeable about fashion trends. Therefore, opinion leadership is a social word-of-mouth communication between the opinion giver and opinion seeker. Sometimes, the recipient of the information from the opinion leader may not be an active seeker, but only a receiver of such information in regular discussions. Such person is known as an opinion receiver. Word-of-mouth or interpersonal communication implies sharing information through direct communication between people. It can be face-to-face, over the phone, via the Net, or through mails.

There are three situations in which opinion leadership takes place:

- When an individual actively seeks advice from others
- When an individual voluntarily provides information to others
- When information is generated in the course of normal interaction of a group.

Dynamics of Opinion Leadership

There are some important features of opinion leadership. It is perceived as credible by the opinion seeker; it provides both product specific information as well as advice; it is category-specific; and it has two-way communication.

Credibility

Opinion seekers regard opinion leaders as trustworthy and a credible source of information pertaining to a particular product or brand – the opinion leaders have no hidden commercial motives, like cash rewards, in promoting a brand. Also opinion seekers seek their help in decision-making because they have expertise or usage experience with a product or brand, which considerably reduces the perceived risk of the opinion seeker. The information given by the opinion leader can be either positive or negative, based on personal experience, and this further strengthens their credibility.

Information and advice

Opinion leaders are a source for product or brand specific information as well as advice. They might just share casual information about a certain product that they have used; they might even aggressively advise opinion seekers whether to buy it or not. The information passed can be related to which product or brand to purchase and from where.

Category-specific

Opinion leaders can have expertise in one product category, but can reverse the role to opinion seekers in case of another product category in which they are not knowledgeable. A person known for his/her cooking may be an expert in the 'what' and 'how' of packed products, spices, food additives, etc., but when he or she has to buy a car, is more likely to seek information from another person whom he/she regards as knowledgeable about cars. Therefore, an opinion leader in one product may be an opinion seeker in another product.

Two-way communication

Opinion leadership phenomena are face-to-face conversations between opinion givers and opinion seekers. Both parties communicate their respective experience with each other. Some scholars, thus, believe that the difference between the opinion giver and the opinion seeker is somewhat artificial as the person who is knowledgeable about a certain product and gives related advice to opinion seekers, is also most likely to listen to others' comments regarding the product.¹⁴

Consumer Behavior

The Motivation behind Opinion Leadership

The opinion leadership process happens due to the following underlying motives of both parties – the opinion leader and opinion seeker and receiver.

Opinion leader

There are four main motives behind the role of opinion leaders – self-involvement, product-involvement, social-involvement, and message-involvement.

Self-involvement: Giving advice to others provides big gratification to the opinion leaders in terms of the attention they receive. Also, since they can display their expertise and experience in the subject matter, it makes them feel superior to others in terms of knowledge. The role of the opinion leader also involves a feel good factor of helping others take a decision and increasing the knowledge of opinion seekers and receivers.

Sometimes, the motive behind opinion leadership could be to reduce post-purchase dissatisfaction with a product or brand. In such a case, the opinion leader will propagate the advantages of the product, thereby trying to reassure himself that his purchase decision was right. For example, unable to make up his mind on which brand of television to buy, Mohan sought the advice of others, and ended up buying an expensive television. After the purchase, he began to feel a little dissatisfied with the choice he made. However, he gave a favorable picture of it to others, just to reassure himself that he had made the right choice.

Product-involvement: Product-involved opinion leaders may feel the necessity to talk to others (opinion receivers) about the product if it is either too good or too bad. The information transmitted would be positive if they are satisfied with the product or brand, and negative, if they are dissatisfied with it.

Social-involvement: Socially involved opinion leaders like to share their product experience with people in general as an expression of bonding. It is important to note that in this case, the opinion leader doesn't feel the urge to talk about the product/brand due to a positive or negative experience, as in the case of product-involvement.

Message-involvement: With an increasing number of advertisements being targeted at consumers, these advertisements often become the topic of discussion. In case of message-involvement, advertisements and slogans are the basis of group discussion. Such conversations often use popular slogans like Surf's "dhoondhte reh jaoge" or Maggi Noodles' "bus 2 minute."

Opinion seeker and receiver

The main motive for an opinion seeker in looking for information is to reduce the perceived risk associated with the product purchase. It also reduces the task of searching for information through other sources. Sometimes opinion is sought with the sole purpose of buying a product to win the approval of an opinion leader. For the opinion receiver, the interaction with an opinion leader provides a lot of new and/or existing product knowledge as well as information related to their purchase, use, etc.

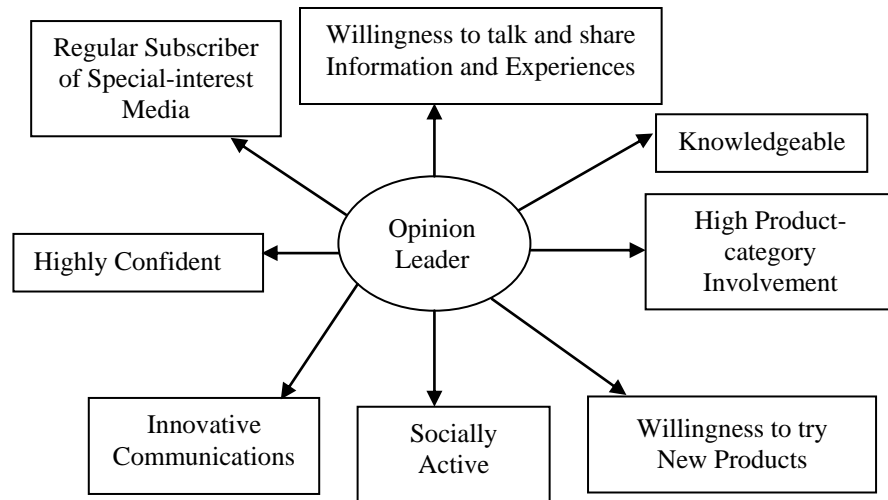
Types of Opinion Leaders

Opinion leaders, in general, are people who have expertise in one subject/product/activity and have the capability of influencing others. They may or may not be the users of the product and/or brand that they recommend to others. Opinion leaders who do adopt a product early in its lifecycle are called *innovative communicators*. As we have already discussed, opinion leaders are also most likely to be opinion seekers in the product or category in which they have high involvement.

Reference Groups and Opinion Leadership

They are generally self-confident, (which makes them quite convincing to opinion seekers), willing to try new products, and also to talk about these products to others. They are socially active and generally have more influence over the people in same age group and social circle as theirs. (Refer Figure 8.3 for a brief profile of an opinion leader.)

Figure 8.3: A Profile of an Opinion Leader



Adapted from Leon G. Schiffman and Leslie L. Kanuk, Consumer Behavior," (Prentice Hall India, 7th edition), 404.

Opinion leaders can be of varying types based on their knowledge, and influence on the purchase decision of the opinion receiver and/or opinion seeker. There are some special types of opinion leaders like generalized opinion leaders, market mavens, surrogate buyers, and purchase pals.

Generalized opinion leader

Generalized opinion leaders are masters of various subjects (say, all kinds of consumer durable products, books, etc.), and are very hard to find. Usually, opinion leaders are knowledgeable about one product category they have high involvement in and some related areas.

Market maven

Market Mavens belong to a special category of opinion leaders who have market-involvement, rather than the product-involvement of the normal opinion leader. They are people who actively seek market information which they feel may be useful for friends and acquaintances, and are a great source for information like – which place offers the best deals, where there are discounts at that time of year, what new products/brands are in the market, which outlet to visit for which product, the new outlets in town, etc.¹⁵

Market mavens not only like to collect information but also share it willingly, and like normal opinion leaders, may or may not be early purchasers or users of the product/brand they recommend.

Surrogate buyer¹⁶

Surrogate buyer is the term used for the professionals hired by actual purchasers to filter the huge amount of store, product, and brand information available, evaluate the product options available, and make recommendations. Sometimes, they also make transactions on behalf of their employer.

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Surrogate buyers play a wide variety of roles like tax consultants, wardrobe consultants, interior designers, stock brokers, etc. The reasons for hiring a surrogate buyer can range from personal reasons like – high perceived risk, lack of time, lack of expertise or product knowledge, or low interest in shopping – to environmental issues like limited product availability. Table 8.4 compares a normal opinion leader and a surrogate buyer.

Table 8.4: Comparison of Opinion Leader and Surrogate Buyer

Opinion Leader	Surrogate Buyer
1. Informal relationship with end-user of information.	1. Formal (occupational) relationship with end-user of information.
2. Information can be active or passively exchanged.	2. Active information exchange
3. Usually, more socially active than end-user and belongs to the same age and social group.	3. Not necessarily more socially active than end-user and usually, does not belong to same age and social group.
4. No hidden motive of commercial gain.	4. Gets compensated for his/her services.
5. Limited accountability, therefore, less effort in option screening and evaluation.	5. High accountability, therefore, greater effort in option screening and evaluation.
6. Usually, more than one opinion leader can be consulted.	6. Usually, only one surrogate buyer is consulted due to cost of consultation involved.
7. Same person can be opinion leader in many related areas.	7. Usually, expert in one product/service category.

Adapted from Praveen Aggarwal and Taihoon Cha, "Surrogate buyers and the new product adoption process: A conceptualization and managerial framework," Journal of Consumer Marketing, 1997, Vol. 14 Issue 4/5.

Purchase pals¹⁷

As already discussed in the types of reference groups, purchase pals are people who accompany an individual on shopping trips. Purchase pals are considered to be quite influential opinion leaders at the point of purchase (in store) consumer decisions. The major benefit of purchase pals is that they help reduce the stress and anxiety an individual experiences while making a purchase, especially in a high involvement, expensive product. The other benefit is information support they provide like better product knowledge, better bargaining skills, and better knowledge of outlets, prices, and products.

Thus, the choice of purchase pals depends on the relationship they have with the individual and the type of purchase to make. They can have two types of relationship with the individual they accompany – either a strong tie relationship or a weak tie relationship. Strong tie purchase pals are generally family members and close friends who are preferred when shopping for products which have high social risk, i.e., the risk of social ridicule (say, while shopping for one's wedding dress). The strong tie purchase pals provide moral support and help the individual choose products that suit

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his or her taste. Weak tie purchase pals are generally non-family members, and they are preferred while making purchase of products which have high perceived functional risk, i.e., risk of non-performance (say, an expensive electronic gadget). A study done on people's preference of strong tie and weak tie purchase pals found that most individuals like to take along weak ties where information is essential, and strong tie purchase pals where suitability and product choice are important.

Illustration 8.7: Purchase Pals



IDENTIFYING AN OPINION LEADER

Opinion leaders are easier to define than to find. Still more difficult is measuring their impact on the opinion seekers. Moreover, the circle of influence of opinion leaders is generally small compared to celebrity endorsers, who can catch the attention of the entire segment.

There are several techniques that are used to identify opinion leaders – self-designating method, sociometric method, key informant method, and objective method.

Self-Designating Method

This is a frequently used opinion leader identification method used by marketers. It measures the individual's self-perception of his/her ability to influence others. In this method, individuals are asked to answer single or multiple questions about themselves. Generally, the multiple question approach is preferred as it is more reliable. The major limitation of this method is that respondents can give biased answers. Another point to note is that anyone giving advice is not considered as an opinion leader rather opinion leader is a person whose advice is regarded highly among the seekers and is followed too.

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Sociometric Method

This method focuses on measurement of the group network and product or brand-based interpersonal communication within a group. Respondents are asked to identify people to whom they have provided information regarding the product/brand and/or people from whom they have received product related information. The responses are cross-checked with the individuals named by the respondents, thus giving authentic results. Although this method is precise, it is expensive and difficult to conduct due to the time involved in tracking the whole network of opinion leaders and receivers.

Key Informant Method

In this method, a key informant, a person who is a keen observer of the concerned group, is asked to identify potential opinion leaders with respect to a specific product category. The informant may or may not be a member of that group, for example, a teacher who knows the students within the class who are regarded highly by fellow students. Although it is quite inexpensive and less time consuming than other methods, it is generally difficult to identify a key informant. This method, however, has found usage with a study of opinion leadership in industrial or institutional concerns. A practical usage example can be of a direct marketing agent of consumer/industrial goods who can give crucial information to the marketer about who's who in his network of regular consumers.

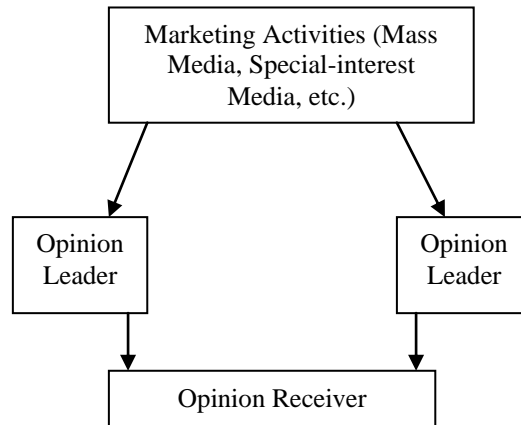
Objective Method

In this method, some individuals act as opinion leaders with respect to a product and the impact of resultant word-of-mouth communication on the sales of the product is traced and measured. This method is quite useful in measuring the impact of word-of-mouth on a new product trial, such as a special invitation to select socialites and student groups to the opening of a multiplex, and then tracking down their influence on others. This method measures an individual's influence on others in a controlled environment but it needs a carefully established design for the experiment. Also, mapping the spread of word-of-mouth can be difficult.

COMMUNICATION AND OPINION LEADERSHIP

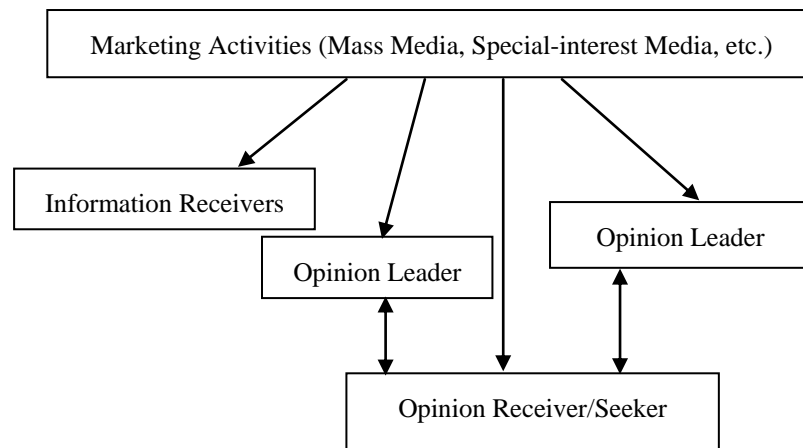
There are two communication theories which explain the flow of information through interpersonal channels of communication, i.e., primarily, word-of-mouth – a two-step flow of communication theory and a multi-step flow of communication theory. The *two-step flow of communication theory* provides a simplistic explanation of the flow of information, i.e., marketing information is targeted at opinion leaders and flows from there, to the mass market (opinion receivers). It has been criticized for its portrayal of active opinion leaders and passive masses. The *multi-step flow of communication theory* is the revised theory, which takes into account the various sources of information to which people are exposed. In this model, the marketing information flows to both mass market and opinion leaders. Opinion leaders further influence others in their circle of influence. (Refer Figure 8.4 for two-step and multi-step communication models.)

Figure 8.4(a): Two-step Flow of Communication



Adapted from Leon G. Schiffman and Leslie L. Kanuk, *Consumer Behavior*, Prentice Hall India, 7th edition, 406.

Figure 8.4(b): Multi-step Flow of Communication



Adapted from Del I. Hawkins, Roger J. Best, and Kenneth A. Coney, *Consumer Behavior, Building Marketing Strategy*, Tata McGraw-Hill, 2003, 239.

Creating Buzz¹⁸

A buzz has been described as *explosive self-generating demand* by the consumers. Be it the success of movies like "Crouching Tiger, Hidden Dragon" and "Matrix" or "Tickle-me Elmo" dolls, the buzz or consumer hype generated by positive word-of-mouth interaction can play a vital role in the success of a product. A large number of target consumers are affected by the power of the buzz, at least partially. Entertainment and fashion products are usually more affected by a buzz than products related to finance, electronics, insurance, etc. Companies can cleverly devise tactics to make even low visibility products the talk of the town. An example is of Viagra, the breakthrough drug for erectile dysfunction, which not only generated interest among the people suffering from the problem but also among healthy people, across the world. (See Exhibit 8.1 to know how a buzz was used to create a winner out of the Harry Potter series.)

Exhibit 8.1

How Buzz Helped Harry Potter

In 1996, Joanne Kathleen Rowling (J.K. Rowling), an unemployed and unknown writer, began writing a story about Harry Potter, an orphan boy with magical powers. The story revolved around a world of magic, where wizards and witchcraft were a part of normal life.

The first book in the series, 'Harry Potter and the Philosopher's Stone' was a 250-page novel about wizards and a boarding school full of magic. In 1997, when J.K. Rowling tried to get her work published, she was rejected by many publishers on the grounds that the 'market was not ready for such books.' The author finally managed to strike a deal with Bloomsbury, a UK-based publishing house.

Although the book was not very well appreciated by critics at that time, sales slowly started picking up, thanks to Bloomsbury's articulated marketing efforts. Initially, the book was not very widely publicized; word-of-mouth referral acted as the biggest reason for the growing reader base. Commenting on this, Minna Fry, Marketing Director, Bloomsbury, said, "To begin with, word-of-mouth was a huge factor. The quality of the product was such that anyone who read it knew it was an incredibly special book and quickly spread the word.

To support the word-of-mouth publicity, Bloomsbury associated itself with a group of journalists to ensure that the book was covered in an influential and popular British television program called 'Blue Peter.' This move helped popularize the book further. Within a week of the release, Scholastic picked up the US publishing rights for \$105,000 – this was reportedly a very large figure for securing the rights from an upcoming author.

By mid-1998, the craze for the books had grown to impressive proportions. Bloomsbury decided to adopt the 'denial marketing' policy, wherein it deliberately withheld crucial information from readers (like the publishing date for the next book, 'Harry Potter and the Chamber of Secrets.')

In September 1998, 'Harry Potter and the Sorcerer's Stone'¹ was released in the US market. To build up interest in the book, Scholastic had started a word-of-mouth campaign long before the release. This included circulating sample copies to influential critics, librarians, and children. To increase the book's appeal, Scholastic released it only in hardcover first with high quality paper and graphics. The paperback version followed after a couple of months.

The second book 'Harry Potter and the Chamber of Secrets' was released in late 1998 in the UK. By mid-1999, the first and the second books had sold more than one million copies each in the US. They had also been translated into 25 languages and published in 130 countries (since 1997, over 5 million copies of the books had been sold).

Source: "Harry Potter: A Multi-Billion Dollar Business," Case study, ICAFI Center for Management Research.

Some of the tactics employed by marketers to generate a buzz are

- *Influencing the opinion leaders*, say inviting socialites, popular columnists, and celebrities to an initial movie screening. The movie – Crouching Tiger, Hidden Dragon – marketed by Sony Entertainment carefully planned the audience for the initial screening. This made the foreign movie a huge success in U.S.¹⁹

¹ The first Harry Potter book originally called the 'Harry Potter and the Philosopher's Stone' in the UK was renamed as 'Harry Potter and the Sorcerer's Stone' in the US.

Reference Groups and Opinion Leadership

- *Rationing the supply* by releasing limited edition of a product, which gives product exclusivity, say like launching a limited edition of a classic car model. Marketers can even employ the channel constraint to create buzz, say for that limited edition car or a one-day sale by a store.
- *Exploiting the icons* by making use of celebrity endorsement. Celebrity endorsement does not necessarily mean advertisements featuring celebrities, but celebrities (movie stars, popular TV stars, sports icons, etc.) using the product in highly visible social events, talk shows, etc. A success story is that of “Tickle-me Elmo” dolls, which skyrocketed to fame when they appeared on a talk show popular with young mothers.²⁰ Another example is that of Julia Roberts, who agreed to wear a Van Cleef & Arpels’²¹ bracelet on Oscar’s night, where she eventually won the Oscar for ‘Erin Brockovich’. At such a high visibility event, the relevant segment (upper class) did notice the bracelet, which led to the buzz.²²
- *Being in the category top lists* helps create tremendous interest in the product and quick rise in sales. The most noted top lists are that of the top 10 movies of the week, the top 10 best selling fiction and non-fiction books, the top 10 business schools and universities.
- *Nurture the grass roots* by encouraging community feeling associated with a brand or product. The example of the Harley Owners Group (H.O.G.), given earlier illustrates the way an almost bankrupt company captured a huge market by organizing rallies and creating a huge buzz in the process, leading to the propagation of the Harley-Davidson by the owners of the product to prospective consumers.

It is also important to note that imitations of product can cash in on the buzz effect created by a new product if they know when to launch their counter product against the original. Marketers often rely much more on mass media advertising to attract potential consumers. Some analysts, however, believe that the mass media should be used by buzz creating marketers at a later stage, as overexposure tends to ruin the exclusivity that initially led to the buzz. Market buzz, therefore, is a strong tool in the hands of the marketers, which, if effectively used, can bring huge profits to the marketer in a very short span of time. Exhibit 8.2 discusses negative word-of-mouth communication.

Exhibit 8.2

Negative Word-of-Mouth²³

Word-of-mouth can sometimes cause great damage to a brand. Negative word-of-mouth communication can ruin the image a brand has built up over decades. It is common knowledge that dissatisfied consumers speak about their bad experience to more people than satisfied people who spread positive word of mouth. Take for example, Delores Sotto, a long-time resident of a Manhattan apartment building, who, when asked by a new neighbor about a good neighborhood laundry, relayed horror stories about “ruined Armani, shrunken custom-made shirts, and stains mysteriously appearing days after the clothes are cleaned.” As it turned out, the information gathered was not through personal experience with the neighborhood laundry but was based on information passed to her by others in her building.

It is important to note that dissatisfied consumers transmit negative comments to more people (9-10) than satisfied consumers (4-5). Also, the negative information is weighted more heavily than positive information, by the undecided new product adopters. Thus, word-of-mouth needs to be carefully monitored to know the ‘pulse of the market.’

Adapted from Chip Walker, “Word of Mouth,” American Demographics, 01634089, Jul95, Vol. 17, Issue 7; and Dorothy Leonard-Barton, “Experts as Negative Opinion Leaders in the Diffusion of a Technological Innovation,” Journal of Consumer Research, Mar85, Vol. 11 Issue 4.

SUMMARY

A reference group serves as a frame of reference for an individual and influences his/her behavior. Reference groups can be classified in many different ways, based on degree of influence (normative reference group and comparative reference group); type of interaction (direct reference group and indirect reference group); and type of influence (positive reference group and negative reference group).

A reference group can have considerable influence on the consumption decisions of an individual consumer. An individual's reference group can range from family to a nation or a culture. There are three types of reference group influences – informational influence (when advice is sought by a less knowledgeable individual from a more knowledgeable individual); utilitarian influence (conformism due to fear of penalty or appreciation from a significant few); and value-expressive influence (when an individual internalizes the group goals, beliefs, and aspirations, and acts accordingly).

Some important reference groups are friends, shopping groups, work groups, virtual communities, brand communities, and consumer action-groups. Celebrity appeal, expert appeal, common man appeal, executive and employee appeal, and spokes-character appeal are some of the important reference group appeals used by marketers to influence consumers' purchase decisions.

Opinion leaders are individuals to whom an opinion seeker turns for advice or product related information while making purchase decisions. Opinion leadership can be a result of passive exchange of information in a group discussion or of information being actively exchanged. The major features of opinion leadership are credibility, exchange of information as well as advice related to one core-category and two-way flow of information.

Opinion leaders are generally knowledgeable about one core category and some related categories. There are some special types of opinion leaders who differ in their area of knowledge and influence over the opinion seeker – generalized opinion leaders (knowledgeable about multiple product categories), market mavens (knowledgeable about general market trends), surrogate buyers (experts hired to make product-related recommendations and even purchase on behalf of the consumer), and purchase pals (strong and weak tie people who accompany and assist an individual in shopping). There are four methods to identify an opinion leader – self-designating method, sociometric method, key informant method, and objective method.

Word-of-mouth is an interpersonal communication channel through which people share information. Word-of-mouth, if positive, can lead to huge gains for the marketer, and if negative, can ruin the brand image. Marketers use word-of-mouth in their favor by creating a buzz around a product to catch the attention of the target segment and influence sales.

End Notes:

¹ Dye, Renee. "The Buzz on Buzz," Harvard Business Review, Vol. 78 Issue 6, Nov./Dec 2000, p139-47 & <<http://www.hardcandy.com/cs/aboutUs.cfm>>

² Park, C. Whan and Lessig, V. Parker "Students and Housewives: Differences in Susceptibility to Reference Group Influence," Journal of Consumer Research, Vol. 4, Issue 2, Sep77, p102-111.

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Chapter 9

Family Influences

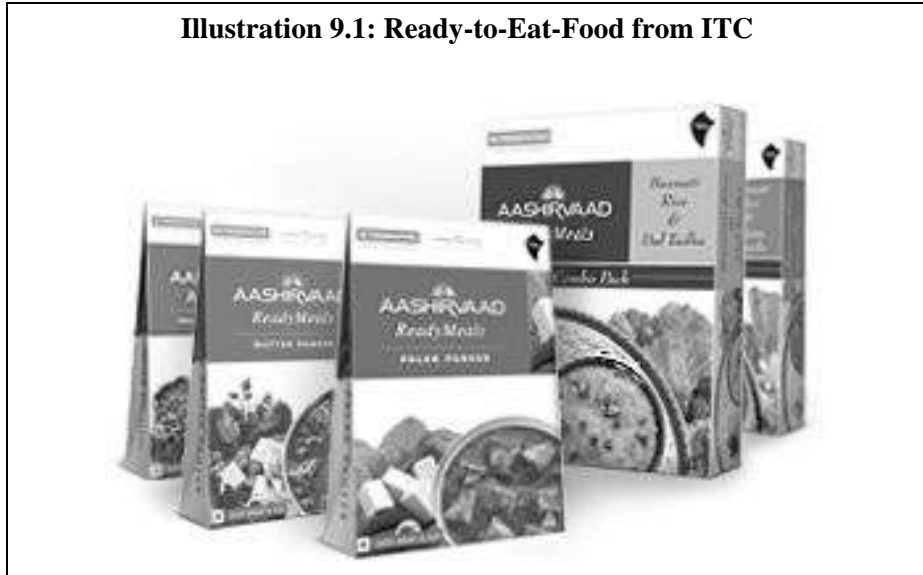
In this chapter we will discuss:

- Defining Family
- Family Lifecycle
- Family Decision Making

Consumer Behavior

In August 2001, the Indian Tobacco Company (ITC) forayed into the branded and packed Ready-To-Eat Meals (RTEM) market with its 'Kitchens of India' brand. It later launched 'Aashirvaad Ready Meals,' targeted at the middle class. These meals -- Indian preparations -- were so packaged as to give them a shelf life of 12 months. ITC also brought out various curry pastes and a multi-purpose cooking paste.¹

Illustration 9.1: Ready-to-Eat-Food from ITC



The market for semi-processed/cooked/ready-to-eat foods has been put at Rs.69 billion by FICCI, and is believed to be growing at 20% per annum.² ITC is not the only player in this growing industry. MTR³, Tasty Bite⁴, and Kohinoor Rice & Curry⁵ are other prominent players in this market. Hindustan Lever Limited (HLL) has also jumped on the bandwagon with its ready-to-eat chappatis under its Annapurna brand.⁶

The reasons for the growth of this sector seem obvious – an increasing number of double income nuclear families and changing family dynamics. According to Jigar Shah, head research, Kisan Ratilal Shares and Securities, “Changing lifestyle patterns driven by a situation where both spouses are working is a big demand driver for the industry.”⁷

The RTEM market is just one example of how the change in the Indian family structure is changing consumer needs and creating new opportunities for marketers.

The change in family structures and family dynamics has shattered stereotypes and given a new meaning to the word – ‘family’. In this chapter, we will study traditional and nontraditional family structures and family lifecycles. The concepts of consumer socialization and household decision- making will also be discussed in detail.

DEFINING FAMILY

Traditionally, the family has been described as “two or more persons related by blood, marriage, or adoption who reside together.”⁸ A household, on the other hand, is a housing unit shared by persons who are either related or unrelated to each other. A housing unit can be a house, apartment, or even shared, single, rented room, occupied by students. Therefore, a family household⁹ can be, say, a husband, wife, and children, while a non-family household can be a group of working bachelors or students living together.

Types of Family Structures

With changing times, the family structures have also changed to a great extent. There are three different types of family structures – married couple, nuclear family, and extended family. A married couple is the smallest family unit, which generally represent newly weds and/or old couples living alone. Modern times have seen the emergence of a large number of nuclear families, which generally comprise a married couple with one or more unmarried children living together. A family comprising a married couple with children and one or both grandparents is called an extended family.

In the Indian context, there is another family structure known as the joint family. A joint family structure consists of two or more married siblings with their families living together.¹⁰

Nontraditional Households

In many Western countries, marketers are targeting a lot of nontraditional households with different products to cater to their special needs. Some major nontraditional households are – same sex households (gay/lesbians), room mates (same and opposite sex), unmarried couples, single-parent households (single parent with at least one child), single person households (unmarried, divorced, or widower), and voluntary childless couples¹¹ (couples who voluntarily choose not to have a child). Another interesting development that has taken place in U.S. society is the rise in the numbers of stay-at-home dads who look after household chores and raise children, while their wives go out to work, sometimes earning far more than the men used to earn.¹²

The changes in family structures lead to new needs and therefore, new products. An example is the growing need for old age homes where senior citizens can spend their life after retirement.¹³ (Refer Exhibit 9.1 for details on the changing family structures in India.)

Exhibit 9.1

Changing India

The family structures in India are changing at a fast pace.

- More and more young adults are delaying marriage to pursue education or a career, creating an increase in the number of single-person households.
- India is also witnessing an increasing number of divorces of young couples in the 25-35 age group, with around 8025 cases being filed in Delhi and Mumbai alone in 2004. The primary reasons for this are increasing career orientation of women, demand for personal space, decreasing tolerance levels in couples, family interference, inability to adjust in joint families, and extra-marital affairs. Economic independence also means that women can opt out of bad marriages.
- About 15% of married couples in India suffer from a problem of infertility, which means there are a significant number of households of married couples without children.
- The number of empty nesters (old parents living away from their children) are increasing in India, as their children reside in other cities, states, or countries due to job opportunities.

Adapted from Sanghamitra Chakraborty, "Two's A Crowd," Outlook, Jan 31, 2005, 64-73; and Deepti Kapoor, "Single & Swinging," The Week, Feb 27, 2005, 40-48; Shefalee Vasudev and Anjali Doshi, "Split Seconds," India Today, Feb 28, 2005, 64-72; Sangeeta John and Farwa Imam, "Agony and Ecstasy," The Week, March 21, 2005, 38-46; Anjali Prayag, "Big dreams, empty nests," The Hindu Business Line, Mar 22, 2003.

Consumer Behavior

Pets as Family Members

Pets are people's companions and are often treated as an inseparable part of the family. Families generally have high emotional attachment with their pets and consider them as family members. Pets, as the children in the family, are often a pampered lot with a huge amount of money spent on their food, exercise equipment, medicines, hygiene products, and pet care centers. They usually have their own toys, beds, and furnishing. More and more pets are also traveling with their owners and staying at hotels. The tourism industry in the U.S. has recognized these phenomena and hotels in the U.S. are trying to attract potential consumers through their loyalty programs, which include pet-sitters and pet walking services.¹⁴

Illustration 9.2: Pets as Family Members

Pedigree

PEDIGREE® PUPPY

A comprehensive dog diet for 12 weeks from birth to 1 year. The new PEDIGREE Puppy has been developed to ensure that the puppy gets all the nutrients it needs to grow and develop. It is a complete and balanced diet with the essential nutrients for the development of strong bones and teeth, strong skin, coat, eyes and overall health. It is a complete and balanced diet for the puppy.

PEDIGREE® ADULT DOGS

Adult dogs need a diet that is high in protein and low in fat. The new PEDIGREE Adult Dog Food is a complete and balanced diet with the essential nutrients for the development of strong bones and teeth, strong skin, coat, eyes and overall health. It is a complete and balanced diet for the adult dog.

PEDIGREE® SENIOR DOGS

As dogs age, they need a diet that is high in protein and low in fat. The new PEDIGREE Senior Dog Food is a complete and balanced diet with the essential nutrients for the development of strong bones and teeth, strong skin, coat, eyes and overall health. It is a complete and balanced diet for the senior dog.

JUST BECAUSE THEY ARE BOTH 3 YEARS OLD DOESN'T MEAN THEY HAVE TO EAT THE SAME.

Introducing the PEDIGREE® range. Because every dog has unique nutritional requirements.

Law-makers in several cities and states in the US (San Francisco, Colorado, Rhode Island, Boulder, Berkeley, West Hollywood, etc.) have recognized pets as companions instead of property and the owners as their guardians. Under a related law, pets can also be beneficiaries of the guardian's money and property.¹⁵

Role of Family

The family performs certain essential functions – looks after economic well-being, offers emotional support, maintains a family lifestyle, and imparts consumer socialization.

Economic Well-being

The family as a unit looks after its dependents' economic well-being. Traditionally, the husband used to act as the bread earner while the wife used to look after home and children. But recent times have witnessed a change in these roles and in some western countries, a role reversal too. In India too, men are not the sole provider for the family anymore. They share equal responsibilities at home, be it cooking or looking after the children. Many married couples in Western countries are opting to be childless, or rather childfree, for varied reasons, one of them being economic well-being. (Refer Exhibit 9.2 for details.)

Exhibit 9.2

Childfree, By Choice

There is a growing segment in countries like the US, France, Ireland, Norway, Australia, and China that is moving toward childlessness. Childlessness doesn't mean infertility, but a conscious decision by couples not to have children. Childfree, as this segment prefers to be called, are high spenders on entertainment, dining-out, vacations, houses, and cars. Sociologists believe that this behavior has been triggered by a multitude of factors like

- Decreasing social pressure on women to have children,
- Ambitious career goals,
- No emotional inclination toward children,
- Huge financial cost and time required for parenting, and
- The belief that having children leads to a decline in marital bliss.

More and more women are realizing that they have to make a choice between career and family, and they can't achieve success in both. For couples who do opt for childlessness, there are many support groups (childfree by choice). However, many childless women in their mid-life are reportedly wishing they had had children.

Adapted from "The Childless Revolution," Futurist, Jul/Aug2002, Vol. 36 Issue 4, p15, 3/4p; and Pamela Paul, "Childless by Choice," American Demographics, Nov2001, Vol. 23 Issue 11.

Emotional support

Providing emotional support to family members is an important function of the family. Emotional support helps family members to cope with difficult situations in personal or public life.¹⁶ Display of emotions is also very important and many families do show their feelings for each other on special occasions like birthdays, anniversaries, etc., with the help of gifts and greeting cards.

At times, the family system can fail to address the problems of its members, especially children, due to a hectic work life or due to the nature of the problem. The help of psychologists and counselors are sought in such cases to help sort out such problems.

Illustration 9.3: Emotional Support



Consumer Behavior

Family lifestyle

Maintaining a suitable family lifestyle is also an important family function. The lifestyle of a family is based on the couple's upbringing, education, past experiences, and certain agreed family objectives. This in turn affects family decisions related to a whole array of subjects like education and career of children and overall consumption habits related to dining out, vacations, purchase of automobiles, etc.

Consumer socialization

Consumer socialization is the "process by which young people acquire skills, knowledge, and attitudes relevant to their functioning as consumers in the marketplace."¹⁷

Consumer socialization is a very important function of the family and involves imparting cultural and religious values and beliefs, social manners, and interpersonal skills, to children and taking care of their overall grooming. Education and career options too are introduced to the children at a very early age. Children are also able to distinguish between genders at a very early age and build perceptions of masculine and feminine things and behavior. Marketers of toys tailor advertisements to suit and re-enforce these perceptions.¹⁸

Consumer socialization is a process generally thought to be initiated by parents and other family members, so that children can develop the necessary skills and habits for such socialization. But children also learn from the media and by observing others. At times, parents use the reward and punishment system to make children learn the proper behavior. Parental communication to children is an essential medium required for socialization. Parents can be classified on the basis of their different communication styles. For example, authoritarian parents are rigid controllers and are restrictive and hostile while indulgent parents are warm and permissive with their children.¹⁹

Children's cognitive (mental) and social development takes place as they grow older. Table 9.1 discusses various stages of a child's cognitive development from 0-15 years.

The process of consumer socialization involves three socialization approaches that parents adopt:

- **Instrumental training:** A conscious attempt to make children respond through reasoning, like when parents try to encourage children's consumption of milk and juices and try to tell them the ill-effects of consuming too many cold drinks.
- **Modeling:** Learning to distinguish between appropriate and inappropriate consumption behavior through observation, say, a child whose parents fight regularly over petty issues or drink heavily is more likely to pick up the same attitude toward life.
- **Mediation:** Correcting the child's initial perception of a stimulus. For example, a boy who sees an advertisement in which a person wearing a particular brand of shoes starts flying, believes that he too can fly if he wears shoes of the same brand. In such a case, the parent will try to explain to him that it is just an advertisement and is not real.

The consumer socialization process is as significant for adults as for children. Throughout one's life, one has to learn new behaviors and adjust to various kinds of environment, be it a new work-culture on switching jobs, moving to a new neighborhood, or making adjustments after marriage.

Another point to note with respect to socialization is the intergenerational transfer of brand and product preferences, which hold a special emotional meaning for the child and/or has become a highly entrenched habit or need. Examples are a family with small children using Dettol soap for bathing, Saffola oil for cooking, Amul butter and Britannia wheat bread for breakfast, Bata shoes for all occasions. It is very likely that these children, when they grow up, will have a preference for these brands.

Consumer socialization in India²⁰

Indian society is family-oriented and despite the increasing trend toward the nuclear family system, has a large number of extended families. Indian parents generally have a high level of control over their children. Indian children, therefore, have very little independent decision-making capabilities. Indian society promotes social duties, interdependence, discipline, and a high obligation toward family.

Table 9.1: Consumer Socialization: Various Cognitive and Social Stages

Stage	Age (in years)	Description	
Sensorimotor	0-2	Use of senses and motor skills, primarily as explorative tools.	
Preoperational	3-7	Development of language and conceptual understanding but can't see things from another's point of view (focus on single dimension).	<ul style="list-style-type: none"> • Brand recognition and positive attitude toward ads. • Unclear understanding of price and value of products. • Direct requests and emotional appeal to influence purchase.
Concrete Operational	8-11	Use of logic to understand various things and their relationships. Even abstract things are understood.	<ul style="list-style-type: none"> • Understanding of price and symbolic value of brands and products. • Increased awareness of brands, especially those related to child-related products. • Perception of ads as lies and seeing them negatively.
Formal Operational	12-15	Highly complex and hypothetical concepts are understood.	<ul style="list-style-type: none"> • Understanding of brands and their social meanings. • Bargaining and persuasion as favorite strategies to influence purchase. • The persuasive content of ads is identified and ads are seen with skepticism.

Adapted from Del I. Hawkins, Roger J. Best, and Kenneth A. Coney, "Consumer Behavior, Building Marketing Strategy," Tata McGraw-Hill, 2003, 210; Piaget: Implications for Teaching. By: Webb, Patricia Kimberley. Theory into Practice, Spring80, Vol. 19; Consumer socialization of children: A retrospective look at twenty-five years of research. By: John, Deborah Roedder. Journal of Consumer Research, Dec99, Vol. 26 Issue 3.

FAMILY LIFECYCLE²¹

A family lifecycle (FLC) describes the various stages of a family, which provide an estimate of the time and money available to a family at each stage. The underlying principle here is that family requirements change with time, as does the disposable income of a household. Some other factors that affect the family's time and money are – marital status, family size, employment status of the couple, and age of all the members of the family.

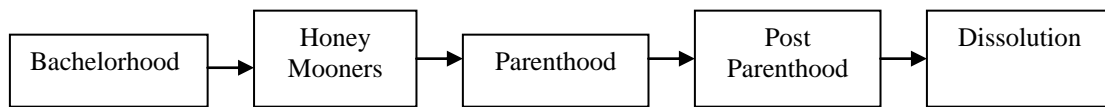
Consumer Behavior

Traditional family systems had a predictable life cycle with stages like bachelorhood, honeymooners, parenthood, postparenthood, and dissolution (these will be discussed in the next section). These lifecycle stages are used by marketers to segment the market for family- oriented products, like a four-seater car instead of two-seater for couples entering parenthood. However, changing family systems, and emergence of nontraditional households have led to various alternative family lifecycle models.

Traditional FLC

A traditional family, as mentioned above, has five major life stages – unmarried individual moving to marriage and further expansion of family with children, who grow up and then start their family, and death of one parent. Figure 9.1 presents a traditional family lifecycle model with its five stages.

Figure 9.1: Traditional Family Cycle



Adapted from Leon G. Schiffman and Leslie L. Kanuk, Consumer Behavior," Prentice Hall India, 7th edition, 285-288.

Bachelorhood

This is the first stage of the traditional family lifecycle and consists of people who have established a separate household. In India, though, this might not be the case as a large majority still live with their parents while they are working. The majority at this stage is employed, young single adults, but it also consists of college students who live on their own. For these people, salary is more like pocket money and thus, they are big spenders on food, fashion clothing, entertainment, and recreational activities.

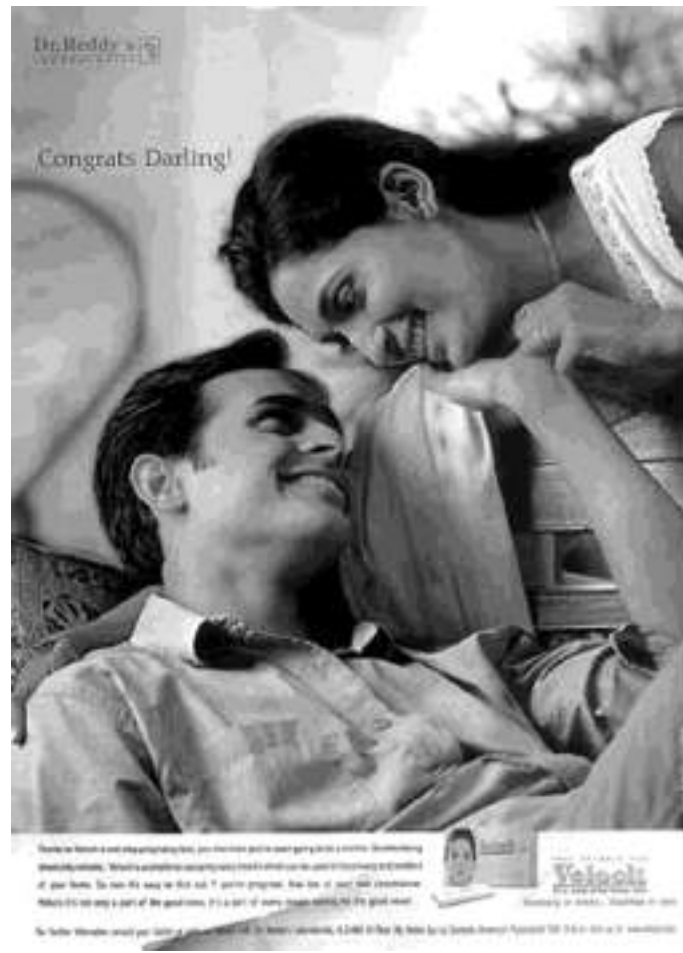
Honeymooners

The second stage of the traditional family lifecycle starts with marriage. Newly weds spend a lot of money in setting up home. House, furniture, furnishings, necessary home appliances, and utensils are some of the major expenses incurred by the newly weds themselves or by their parents and other relatives. They also spend a lot on dining out, entertainment, and other leisure activities due to the high disposable income they have, especially, if both husband and wife are working. Purchase of automobiles and investment options are also important decisions at this stage.

Parenthood

With the birth of their first child, families enter the parenthood stage of the traditional family lifecycle. This stage is quite long and lasts till the children become economically independent. This stage can be further divided into – preschool phase, elementary school phase, high school phase, and college phase. In the preschool phase, the families usually have to spend a considerable amount on the child's basic products like baby food, etc., and disposable income also goes down if the wife gives up her job to look after the child. The family's disposable income increases as the wife again starts working and the couple's career progresses.

Illustration 9.4: Parenthood Stage



Source: Dr. Reddy's Labs Ltd.

Post-parenthood

At this stage of the traditional family lifecycle, the children establish their own households and the original couple are called empty nesters. Empty nesters are generally believed to have increased expense on travel and medical needs. Members of a financially stable household at this stage finds an increase in their disposable income and uses this time and money to indulge themselves with their hobbies and other interests. Such couples also spend money on homes, automobiles, furniture, and vacations and thus, form a good market for marketers of luxury products.

It is important to note that until recently the empty nester stage was not very common in India, where three generations (grandparents, parents, and children) still live together.²² However, with increasing urbanization and highly mobile households, many old couples in urban India are living alone or are being looked after by old age homes, catering specifically to well-to-do empty nesters.

Dissolution

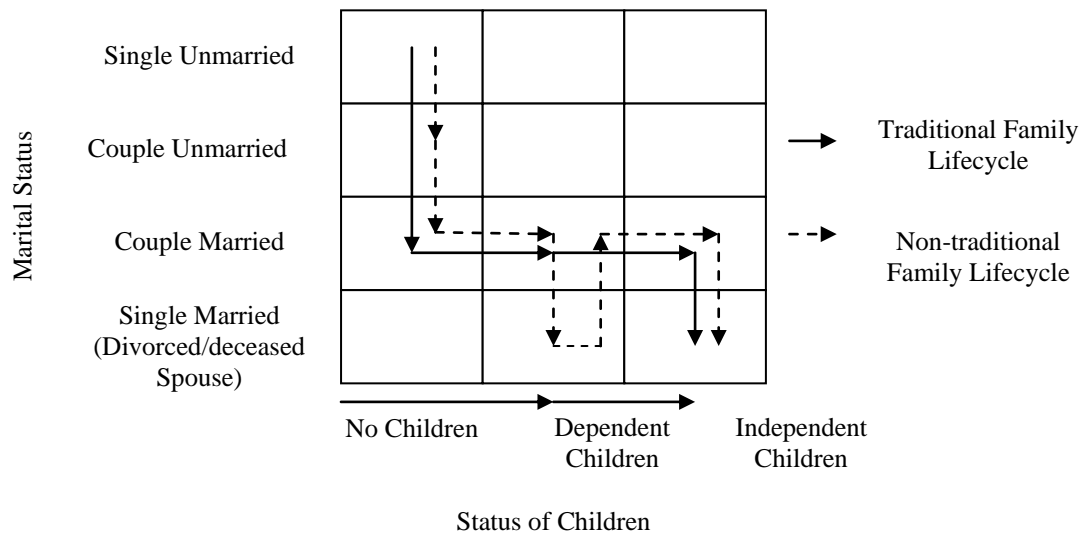
At this stage, one of the couple dies and the other is left alone. The adjustment is easier if the surviving spouse is in good health and economically stable. Companionship is of prime importance at this stage and some choose to go in for remarriage.

Consumer Behavior

Non-Traditional FLC

Traditional family lifecycle models failed to explain non-traditional households. With changing demographics and family structures (as discussed earlier in the chapter), the need for a non-traditional family lifecycle was felt by researchers. Many researchers have forwarded alternative family lifecycle models to accommodate non-traditional households. Figure 9.2 presents a modified traditional family life cycle model to accommodate non-traditional family structures as well.

Figure 9.2: Non-Traditional Family Lifecycle



Adapted from A Modernized Family Life Cycle. By: Murphy, Patrick E.; Staples, William A. Journal of Consumer Research, Jun79, Vol. 6.

Explanation for Figure 9.2

A Typical Non-traditional Family Lifecycle

The grid in Figure 9.2 shows a traditional household lifecycle with all the five stages – single unmarried (bachelorhood), married couple without children (honeymooners), married couple with dependent children (parenthood), married couple with independent children (postparenthood), and married single with deceased spouse (dissolution).

A typical non-traditional family lifecycle has also been tracked on the grid – single unmarried (bachelorhood); unmarried couple living together as family; married couple without children (honeymooners); married couple with dependent children (parenthood); single married and divorced, with children; married couple with dependent children, married couple with independent children (postparenthood); and single married, with deceased spouse (dissolution).

Marketers use family lifecycle stages as a segmentation tool (as discussed earlier in Chapter-2). Marketers can track many more non-traditional lifecycles to understand family segments with different backgrounds and different needs. Even at the same stage, the reasons for using products might differ for families with different lifecycles. For example, a married couple with dependent children might take insurance primarily as an investment tool, but a single married (divorced) person with dependent children might primarily look at insurance as a contingency fund for children.

Adapted from A Modernized Family Life Cycle. By: Murphy, Patrick E.; Staples, William A. Journal of Consumer Research, Jun79, Vol. 6.

FAMILY DECISION MAKING

Marketers are not only interested in the family lifecycle, they also want to know how a family actually decides what to buy and what not to buy, i.e., the family decision-making process. Researchers have identified four major phases in the family purchase process – problem or need recognition, information search and evaluation of alternatives, final decision regarding the purchase, and post purchase behavior. Family members perform various roles in decision making, namely, initiator, influencer, decider, buyer, and user. (Refer to Table 9.2 for details on the mentioned family roles in decision making with examples drawn from a related study conducted in New Delhi, India²³ with respect to the family decision-making process vis-à-vis durable goods.)

Table 9.2 : Key Family Roles in Decision Making

Family Decision Phase	Role	Description	Example
Problem or need recognition	Initiator	Family member(s) who expresses the need for a product or service.	In a family of six (grandparents, parents, and children), children express the need for an audio-music system.
Information search and evaluation of alternatives	Influencer	Family member(s) whose views carry some weight.	Father and grandfather start looking at various related ads in various media. They also make a quick scan of all the electronic shops in the area to know more about discounts, price, warranty, schemes, brands, product features, etc.
Purchase decision	Decider	Family member(s) who make(s) the final decision regarding the purchase.	Father, mother, and grandfather together take the decision to buy a Sony.
	Buyer	Family member(s) physically involved in making the purchase.	Whole family goes to buy the audio-music system decided upon.
Post purchase behavior	User	Family member(s) who use(s) or consume(s) the product or service.	Children play rock music on it, parents play old movie songs, and grandparents play devotional songs.

Adapted from D. P. S. Verma and Sheetal Kapoor, "Dimensions of Buying Roles in Family Decision-making," IIMB Management Review, Dec2003, Vol. 15 Issue 4.

Household Decisions

Household purchase decisions can be of two types – consensual purchase decision and accommodative purchase decision. While in a consensual purchase decision, the need is satisfied with the approval of all the family members, in an accommodative purchase decision, family members have different opinions and preferences and cannot agree on a single product. This leads to conflict. Conflict is case of a spousal

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(husband-wife) decision has been defined as “level of dyadic discordance resulting from the initiation of a joint purchase decision.” Several factors affect the degree of conflict in a family decision – interpersonal need (efforts made to establish and maintain family bonds), product involvement and utility (degree of alternative evaluation and satisfaction derived by its use), responsibility (degree of time and money commitment required for purchase), and power (degree of influence over others).

Sex Role and Decision-Making

Traditional stereotypes confined husband and wife to some specific purchase decisions. There are broadly four types of decisions – syncratic (joint) decision, wife-dominated, husband-dominated, and autonomous (independent decision, taken by either husband or wife). For example, the wife has more of a say (wife-dominated) when it comes to groceries, children’s clothing, and toys, while the husband has more of an influence (husband-dominated) in the purchase of financial investments, insurance, etc. In some cases like vacations, homes, furniture, home appliances, etc., a joint decision (syncratic) is taken. The purchase of cosmetics falls in the category of independent decision (autonomous) taken by the wife while that of cigarettes falls in the category of independent decision (autonomous) taken by the husband.²⁴

However, family decision roles have changed with the changing times due to various economic, social, and cultural forces that are at play. India, for example, went through a lot of change in the 90s, which led to a change in Indian society as a whole. It also affected the equation of family decision-making, shattering the traditional stereotypes. Some major reasons for this great change are²⁵ –

- Urbanization: An increasing number of families are shifting to metros and big cities due to better job prospects. This has led couples who have migrated to be exposed to new ideas and ways of life, thus, leading to a change in their consumption behavior.
- Westernization and increased media exposure: Women are getting exposed to the western media and are becoming more appreciative of the idea of liberated women.
- Work hard, grow rich attitude: Due to high pressure jobs, the working spouse has to put in more hours in office. This means that couples spend less time together and women have to take on more home-related responsibilities.
- Increasing literacy rate of Indian women and rising percentage in workforce: Education has made women confident and assertive at home and at the workplace. The rising number of working women in India has led to work division between the couple, with husbands also doing their bit in household chores.
- Delayed marriages: With the high level of education needed to get a good job, those of the younger generations are marrying much later. The men and women are therefore much more mature to take on worldly responsibilities.

The change in the role of women, brought about by higher education and independent incomes, has affected the family dynamics to a great extent. Research shows that today’s mother is finding it hard to balance her role at home and at work. Many highly educated working women are quitting their jobs to become stay-at-home mothers. This trend can mean more family-oriented products targeted at this segment. Also, many women are opting for the middle path of working from home, which can mean more business for marketers of multi-function devices like printer, scanner, photocopier, all in one.²⁶

Researchers have identified four prominent mothers’ types²⁷ –

Family Influences

- **Traditional Housewife:** She is a homely person who likes to care for her family. She is fully aware of the opportunity of additional income she has chosen to let go of, and has family support to pursue this role of a homemaker.
- **Trapped Housewife:** She likes to work but is forced to stay at home due to lack of family support or having small children at home, or availability of few job opportunities. She is normally not interested in routine household work and is more concerned with her status.
- **Trapped Working woman:** She likes to stay at home but has to work due to economic constraints. She likes doing household work, but normally does not find time to do so. However, she also feels proud of her economic independence and financial contributions to the household income. She experiences mental conflict in case she has small children to look after at home.
- **Career Working Woman:** She likes to work and does household work only because it is necessary. She is often hard-pressed for time, and experiences mental conflict in case she has small children to look after at home.

Children as Decision Makers

Gone are the days when children did what their parents told them. Today's younger generation is not only better informed about new products and brands than their parents but also has considerable power over them. Marketers' interest in children has increased tremendously as children make direct purchases (primary market), indirect purchases by pester power (influence market), and continue their childhood brands into adulthood (future market).

Primary market

Children purchase a lot of things out of their own pocket money, which, many parents agree, is "rising faster than inflation." From candies and chocolates to music cassettes and video games to branded apparel, children make most of their pocket money. With the increasing number of double income nuclear households and fewer children per family, many parents pamper children with increased pocket money. A recent study conducted in Delhi, India showed that children there get the highest pocket money as compared to their counterparts in other metros. Children in towns like Ludhiana and Indore also get comparatively higher pocket money vis-à-vis many metros.²⁸

Influence market

"Recently a parent came to me as his daughter in Class VI refused to go to school if her father didn't buy a Lancer," says Dr Samir Parikh, Consultant Psychiatrist for the clinics promoted by Max Healthcare.²⁹

This example is just one of the many ways in which children affect their parents' purchase decisions. Most parents are aware of the insistence power of children, popularly known as 'pester power' or the 'nag factor.' Pester power is not just limited to products directly consumed by children but also household products.³⁰ A study conducted by Cartoon Network in India in 2002³¹ found that a considerable number of parents take their children along with them while shopping for cars, televisions, music systems, computers, etc. Another study, which focused on children's influence on supermarket purchases, found that a majority of parents surrendered to pester power to buy a particular brand of cereal.³² Several other studies have led to classification of various degree of influence children have on their family purchase decisions.³³

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Future market³⁴

A large number of marketers target children as well as parents, not only due to the pester power of children, but also to build their loyalty toward the brand. Children are future customers and their aspiration in the present affects their future preferences. For instance, a boy who admires his father and observes him using Gillette aftershave lotion every day, associates the brand with his father. The brand loyalty in children generally develops from intergenerational socialization, as discussed earlier in the chapter, and from marketing targeted to positively influence children and convert them early into brand loyalists. In this 'cradle to grave' strategy, marketers try to touch all aspects of children's life and to be meaningful to them. An example is an adult wear brand entering the youth and kids market. This leads to strong affiliation with the brand early in life in case of a positive usage experience.

SUMMARY

A family comprises two or more individuals, related by blood, marriage, or adoption, staying together.

There are primarily three types of family structures – married couple, nuclear family (married couple with children), and extended family (married couple with children and their grandparents). In recent times, various new kinds of family structures have emerged, like single-parent households, same sex households, voluntary childless couples, and unmarried couples. Pets, like cats and dogs, have also become a part of the family and in some countries, are treated as companions who can also be beneficiaries to guardian's (owner's) property.

The family has four primary functions – economic well-being of the family members, emotional support, maintaining family lifestyle, and consumer socialization. Consumer socialization is one of the most important functions of the family and comprises processes through which people, especially children, acquire skills, knowledge, and attitudes, relevant to their functioning in the marketplace. This process is generally initiated by family, but media and friends are also the influencing factors.

The family lifecycle provides an important segmentation tool to marketers based on its stages. The traditional family lifecycle stages are – bachelorhood, honeymooners, parenthood, postparenthood, and dissolution.

The knowledge of family decision-making is important for marketers to understand various family segments and their purchase motivations. There are four phases in the family purchase process – problem or need recognition, information search and evaluation of alternatives, final decision to purchase, and post-purchase behavior. There are five major roles in the purchase process – initiator, influencer, decider, buyer, and user.

Household decision-making has three important players – husband, wife, and children. Certain stereotypes have been set, which help to determine whether the decisions are taken by the husband or by the wife. Broadly there are four types of family decisions – husband-dominated, wife-dominated, completely autonomous decisions by either husband or wife, and joint decisions. In today's fast changing world, there has been a shift in economic, social, and cultural environments of countries, leading to a shift or, sometimes, complete reversal of the traditional husband-wife role, i.e., the wife is the bread earner and the husband, the child rearer.

The role of children as decision-makers has also changed. They are not only direct purchasers but also quite influential indirect purchasers, with the span of their influence ranging from items directly consumed by them to a large number of household purchase decisions. They also comprise a lucrative future market, which marketers are trying hard to capture in the present.

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Chapter 10

Social Class and Consumer Behavior

In this chapter we will discuss:

- Defining Income
- Defining Social Class
- Social Stratification
- Social Class Mobility
- Social Class Measurement
- Social Class and Consumer Behavior

Consumer Behavior

The city of Sao Paulo in Brazil has become a high domestic air-traffic zone, with the city's rich using helicopters to commute within the city. Convenience, a rise in kidnappings, and an increasing number of high-rise buildings with helipads on their terraces are some of the major reasons for this copter craze. The 576-sq.-mile city with a population of 11 million has more than 400 helicopters in the sky. The city has, thus, emerged as the fastest growing helicopter market in the world. A six-passenger 407 model costs around \$1.6 million and \$700 per hour is the flying cost. In addition to this, hangar space for a month costs around \$3,000. Copters in Brazil have become synonymous with wealth, and the affluent class is buying them as they buy luxury automobiles like Mercedes and Rolls Royce.¹

The above example gives one an idea of the way social class can influence consumer behavior. There are many factors which affect a person's social class standing. In this chapter, we will discuss social class, various stratifications of society, and social mobility. Various techniques to measure the standing of people in terms of their social class and its influence on consumer behavior will also be discussed. As income is an important factor with respect to social class, it is briefly discussed in the first section of the chapter.

DEFINING INCOME

Income is an important factor which is generally believed to have considerable influence on the social standing of an individual or household. The concept of discretionary income is considered to be of greater importance in the study of social class. Discretionary income is the amount of an individual's income left, after paying tax and meeting all the basic needs like house rent, food, loan repayments, insurance, etc., which is available for inessential spending and for saving.²

Income is often used as the measure of the spending power of a household, i.e., higher the income, more the spending or purchasing power. The demand for goods and services, however, depends not just on purchasing power of potential consumers, but also their willingness to buy them. Market conditions also influence the spending power of people. Long-term inflation, for example, can restrict the spending power of the consumers as products and services become expensive.

Income patterns have changed in recent times, given the increasing number of dual-income households and a greater emphasis on higher education among Indian youth. Individual attitudes towards money have also changed significantly as the frugality which was valued in earlier times has given way to materialism and instant gratification.³

Money also has a deep symbolic meaning. The possession of money may be interpreted as personal success and failure by some people, and as the way to social acceptability, love, security, freedom, and social power by others.⁴

Market trends like recession influence people's spending decisions to a great extent. Consumer optimism or pessimism regarding employment, economy, regular income, quality of life, and the stock market, also influences their current consumption. Consumer confidence indices study the consumer confidence level which directly affects consumer spending.⁵

DEFINING SOCIAL CLASS

Societies have traditionally been divided into various strata based on a multitude of factors like economic and political power, cultural values and beliefs, factors like family background, education, and income. Max Weber, a German sociologist, identified multiple dimensions of hierarchical divisions developed in different societies. The two important hierarchical divisions observed, in the context of consumer behavior, were class and status. Social class is primarily based on family

Social Class and Consumer Behavior

income, wealth, and occupation, while social status has more to do with lifestyle and prestige.⁶ However, the term 'social class' is, at present, used for both these hierarchical classifications in society.

Social class is a complex concept and there is no universally accepted definition for it. However, one can loosely define social class as "a hierarchical division of a society into relatively distinct and homogeneous groups with respect to attitudes, values, and lifestyles."⁷

Hierarchy, i.e., a series of ordered groupings of people in society, is an important aspect of social class. Some groups of people are placed at a higher level in the hierarchy, while some others are placed in the middle, and still others are placed lower. Generally people at the same level in the social class hierarchy have similar educational backgrounds, jobs, and tastes and preferences.

A society can have many hierarchical ladders, like upper class, middle class, and lower class. Hierarchy is particularly important for marketers when they want to target a segment. Social class can be either ascribed or achieved. Ascribed social class is the one a person generally belongs to by virtue of birth, while achieved social class is what the person achieves through education, occupation, etc.

SOCIAL STRATIFICATION

Researchers have segregated people in as few as two social classes to as many as nine social classes, depending on the changing composition of the society. W. Lloyd Warner in 1941, segregated American society into 6 social classes⁸ –

1. Upper-upper
2. Lower-upper
3. Upper-middle
4. Lower-middle
5. Upper-lower
6. Lower-lower

Since then, however, the American society has undergone many changes with respect to the composition of its population. Table 10.1 presents a contemporary view of the American class segregation proposed by researchers.

Table 10.1: Social Classes in the United States

Social Classes	Description
Upper Americans	
Upper upper (0.3%)	Beneficiaries of ancestral wealth
Lower upper (1.2%)	Newer social elites, highly educated corporate leaders and executives
Upper middle (12.5%)	Professionals with a college degree
Middle Americans	
Middle class (32%)	White collar workers with average pay
Working class (38%)	Blue collar workers with average pay
Lower Americans	
Upper lower (9%)	Working people, just above poverty
Lower lower (7%)	Below poverty line workers, out of work, people on government welfare, common criminals

Adapted from Richard P. Coleman, "The Continuing Significance of Social Class to Marketing," Journal of Consumer Research, Dec83, Vol. 10 Issue 3.

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Social Classes in India

India, known today for its 300 million strong middle class, had only two distinct classes at the time of independence – the upper class and the lower class. The last few decades, however, have witnessed huge growth in a new distinct class – the Indian middle class. This Indian middle class now has three distinct classes in it – Upper middle (approx. 40 million), middle middle (approx. 110 million), and lower middle (approx. 150 million).⁹

The Indian middle class constituted less than 10% of its total population in 1985. Although the last decade has seen a spurt in the numbers, it is still below 20% of the population. Two factors are said to be responsible for this spurt in numbers in the Indian middle class – rising literacy especially among women, and their increasing participation in the workforce.¹⁰

The upper class comprises just 1% of the Indian population and comprises former royal families, industrialists, and top executives. On the other side, the country's lower class generally comprises artisans, farmers, ordinary laborers, etc.¹¹

A survey by AC Nielson and ORG-MARG on attitudes to life among youth, categorized Indian youth, into the following types:¹²

- *Balancing lot*, typically upper and upper-middle class males and females, who believe in self-expression and freedom, but value family.
- *Money maniacs*, generally middle and lower-middle class males, who believe that money is the only way to success.
- *Desi youth*, mostly middle and lower-middle class males and females, who have strong value systems at home, and thus are apprehensive of western culture and values.
- *Cool guys*, males and females belonging to the affluent class, who have completely adopted western culture and brands.
- *Repressed souls*, mostly middle and lower-middle class females, are youngsters with tense relationship with parents and are frustrated with life due to parental restrictions.

SOCIAL CLASS MOBILITY

The concept of social class mobility refers to people belonging to one social class, willingly or unwillingly, shifting to other social classes. There are two types of social class mobility – upward mobility and downward mobility. Upward mobility occurs when a shift occurs from a lower to a higher social class, while downward mobility occurs from an upper to a lower social class.

Most people and families, obviously, aspire for upward social mobility. Upward social mobility has become possible in developing countries like India, where opportunities for better education and financing for education, along with a booming economy, have led to an increasing number of lower social class households moving up the ladder. The increase in dual-income households, as mentioned earlier in the chapter, has also led to a large number of families moving to a higher social class. The growing middle class in India is an example of the increasing upward mobility in Indian society.¹³

Downward social mobility may occur when individuals belonging to a certain social class get demoted to a lower social class by virtue of economic, social, and/or political changes. In 1972, for example, Indira Gandhi, the then prime minister of India, abolished the titles, privileges, and allowances of the Indian royal families. This resulted in the downward social mobility of the Indian royal families, who then had to earn a living; many of them who couldn't change began to lead a miserable life.¹⁴

Social class mobility generally occurs in an open society. A society can be said to be closed if social class mobility is not possible. An example of social class non-mobility is the Afro-American community of America in the early 20th century; this class of people was looked down upon, did not have access to education, and were employed only as servants and laborers, on account of their race. A closed society takes a long time to transform itself into an open society where social classes are not very highly entrenched and people can move up the social ladder.

The social mobility phenomenon is not particularly applicable to the marriage market where people generally prefer a spouse in the same social class and having a similar educational background.¹⁵

SOCIAL CLASS MEASUREMENT

There are three broad approaches to measure social class – subjective approach, reputational approach, and objective approach.

Subjective Approach

The subjective approach to measure one's social class is based on self-perception or class consciousness of the respondent. Direct questions regarding the respondent's social class are asked which, more often than not, lead to most respondents associating themselves with the middle class. Many respondents belonging on the class borderline, i.e., lower fringes of the upper class and upper fringes of the lower class, may also place themselves in the middle class.¹⁶ This approach may also lead to biased results due to the respondent's self-perception based on product usage, say a middle class, salaried, unmarried respondent who uses a Calvin Klein (CK) perfume and wears only branded clothes, may perceive himself as upper class.

Reputational Approach

This approach is based on social class information provided to a trained researcher, by key community informants or other community members. The information provided by informants help the researcher to place community members in various social class positions. This approach however, gives results related to hierarchical structure of the society, and not with respect to consumption behavior in relation to social class.

Objective Approach

In this approach, respondents are asked questions with respect to various variables like income, education, occupation, which directly and indirectly influence the social class to which the respondents belong and their consumption behavior. The objective approach to measuring social class can be broadly classified into two categories – single variable index and composite variable index.

Single variable index

A single variable index measures social class membership, based on individual socioeconomic variables like education, occupation, and income.

Education

Education has a direct relationship with the social-class ladder a person is on. Generally, better education leads to better jobs and better income. Individuals usually prefer a spouse with a similar educational background, which leads to a still higher household income.

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Occupation

Occupation is one of the most widely accepted direct indicators (i.e., an individual's occupation is directly related to his/her social status) of an individual's social class. It is also used most often by people to evaluate the social class standing of an individual as it reflects one's education, income, and lifestyle. In Indian society, for example, the caste system was related to one's occupation, and that decided an individual's social standing.¹⁷ Occupation is an important segmentation tool by itself and marketers use it to specifically target people in various professions.

Income¹⁸

Income is generally related to education and occupation. It is, however, not necessarily related to the consumption behavior of the individual. The individual's wealth may be earned or inherited, but spending is related to the social class one belongs to. Two families having the same income might spend differently to maintain their social class and related lifestyle. A blue collar worker working in a factory might be getting same or more income as a white collar worker working as a clerk in a private company, but the outflow of money tends to be different in the two cases, as the blue collar worker might spend more on basic necessities like food, clothing, and shelter, while the white collar worker might spend equally on basic necessities and on the education of his children. Income and class, therefore, are not very well correlated. An increase in household income also doesn't necessarily indicate a higher standard of living or a shift to a higher social class. The additional income earned by say, the wife, might just be spent on clothes and accessories, instead of pooling it for the common good of the household (i.e. that which moves the family into a higher social class), say saving for the child's future or additional financial investments.¹⁹

Social class has a great influence on the purchase of certain products with symbolic value, say, luxury cars, designer and branded clothes. On the other hand, a higher income may result in the purchase of more expensive products of daily use; say, a fully automatic imported washing machine instead of semi-automatic Indian-made model. Both income and social class are together used to predict consumption behavior related to products which have symbolic value and also are expensive.

Other variables

Some other related variables like possession of certain products, market value of residence, and type of neighborhood, are also used as indirect indicators of social class. *Chapin's Social Status Scale* is one of the popular scales which evaluate social class based on possessions. It focuses on the presence of certain types of furniture, decorative pieces, condition of house and rooms, etc. to classify the owner as belonging to a certain social class.

Composite variable index

Social class is clearly a complex concept and it is difficult to determine it based on single variables like education, occupation, and income, therefore Composite Variable Indices have been devised. Three of the most important composite or multiple-variable indices used to measure social class standing are – index of status characteristics, index of social position, and index of socioeconomic status.

Index of Status Characteristics: This index takes into account four variables in measurement of social class standing – occupation, income source, house type, and type of neighborhood.

Index of Social Position: This index is based on two important socioeconomic variables – occupation and education.

Index of Socioeconomic Status: This index is based on three socioeconomic variables we discussed under single variable indices – occupation, family income, and education.

Problems with Measurement of Social Class

The complexity of social class and its influence on consumption behavior has led to various in-depth research studies resulting in the use of various combinations of variables to help in estimation of social class. But it is still a topic of debate among researchers among whom some are not entirely convinced about the accuracy of the results produced by such indices, which therefore makes classification of consumers into various social classes a difficult task. Some problems identified, with respect to the measurement of social class, are –

- Change in demographics and family structures in recent years are not reflected accurately in the composite variable indices.
- People with highly differing backgrounds, education, and occupation are difficult to put into a certain hierarchy in the social class structure. For example, a college dropout earning several billion dollars.
- People often are under pressure to maintain their lifestyle with respect to the social class they belong to. An *overprivileged* household (household which has a significant amount of money to spend even after spending on ‘appropriate’ living standards with respect to its social class) may not have any problem in maintaining their lifestyle in accordance with the social class they belong to. An *underprivileged* household (household which is barely able to maintain the lifestyle ‘appropriate’ with respect to the class it belongs to), however, may have to spend a substantial amount of their income (or take credit) in maintaining the impression of belonging to that social class.²⁰ This aspiration of underprivileged households to maintain their lifestyle in accordance to the class they belong to rather than shift to the next lower class has also been ignored as a criterion in social class measurement.
- Intergenerational shift in social class has also not been included as a criterion. Say, a lower class family educates their children, who enter into better jobs when they grow up and become a part of middle class.
- The family’s social class measurement has traditionally focused on the husband’s education, occupation, and income, and ignores similar variables related to the working wife.

Geodemographic Clustering²¹

Marketers have in recent times begun to use a new tool to measure the social class of households – ‘Geodemographic clustering’. This tool segregates the population into homogenous groups with similar income, education, household type, urbanization, and attitudes and product preferences, as drawn from census data. A ‘cluster’, in the context of social class segmentation, has been defined as “a class of households with common demographic and lifestyle characteristics, designated by a label.” Some popular geodemographic clustering systems are PRIZM and ClusterPlus 2000. Such clustering systems can be used to produce customized information to suit the requirements of various industries and are quite dynamic in nature. Marketers generally use geodemographic clustering to –

- Identify new customers.
- Locate sites to open new stores.
- Use direct promotions, like direct mail and local media for ads, to the target segment.
- Develop new products.

SOCIAL CLASS AND CONSUMER BEHAVIOR

Social class has a complex relationship with consumption behavior. Various classes behave differently, even people within the same class have quite different consumption patterns depending on whether the wealth is acquired or earned. These and related issues have been discussed below.

Cultural Capital²²

Cultural capital is an important part of a consumer's social life. It consists of the person's unique tastes, skills, knowledge, and practices. All these elements of cultural capital are learnt from childhood as a part of consumer socialization. The cultural capital, i.e., the tastes and preferences of a member of the royalty will be quite different from that of a commoner. Cultural capital has a significant influence on consumer tastes and preferences, especially, in products like art, interiors, food, hobbies, sports, and clothing.

The Affluent Consumer²³

Affluent consumers are the ideal consumers for any marketer, but not all consumers with high incomes are considered 'affluent'. Marketers of different products have different cut-off points in income to segregate affluent consumers from the rest; the cut-off point depends on the price range of the product involved. Affluence depends not just on current income but also net worth, i.e., total assets minus total liabilities. The affluent class can be segregated in two broad categories – marginally affluent and very affluent. Big spenders are not necessarily affluent people as their incomes might be high but their net worth is generally low. Various studies show that affluent consumers do not correspond to the image they have been given over the years. They are often planners and accumulators, rather than being big spenders, even though they have high discretionary income. The number of affluent households has increased in recent past, and this indicates upward social mobility is fairly high in Indian society.

Modern-day affluent consumers have some marked characteristics – they have middle class values, seek financial stability, and are technology-and quality-driven. Affluent consumers also have a strong urge to preserve their youth. Given this inclination, an increasing number of expensive health and cosmetic beauty treatments like laser skin resurfacing and photo-facials are in the market in India today to cater to this need.²⁴

Illustration 10.1: Targeting Affluent Consumers



Source: www.agencyfaqs.com

Exhibit 10.1

The Affluent Indians

According to NCAER Household Income Survey, India had 20,000 households with income exceeding 1 crore per annum, which is expected to increase to 53, 000 households by 2005 and to 1,40,000 households by 2010. The number of households having per annum income between 50 lakh to 1 crore are also set to rise to 2,50,000 by 2010.

Affluent consumers in India are being targeted by international luxury brands like Maybach, Porsche, and Bentley in cars; Cartier and Bvlgari in jewellery; Louis Vuitton and Fendi in bags; Mont Blanc in pens; and Ermenegildo Zegna, Canali, and Hugo Boss in clothing.

Adapted from Malini Bhupta, "Deluxe India," India Today, November 22, 2004, 58-68.

In their consumption behavior, affluent consumers value exclusivity, high quality, and excellent customer service. Affluent consumers, although prudent with their money, do spend on luxury items like artworks, designer clothes and jewels (Refer Exhibit 10.1 for brands targeting affluent Indians).

Affluent consumers also tend to be associated with more prestigious sports like golf,²⁵ and are a potential market for real estate, luxury cruises, and agencies which provide domestic helpers. Table 10.2 presents a classification of affluent according to their 'money personalities', or attitude towards money. It also depicts the attitude of their offspring towards money.

Table 10.2: Affluents' Money Personalities

Present Generation	Description	Younger Generation	Description
Millennium Money	Dot com millionaires, athletes, entertainers; money came suddenly through their own talent	Power Children	Questions their right on their parent's wealth and are community-oriented
Old Money	Ancestral wealth passed down over several generations	Trust Fund Babies	Have strong heritage and lineage; generally stick to their social circle
New Money	Hard earned money by rising corporate ladder, self-made successes	Fresh Mints	Highly aspirational, ambitious, and love to flaunt
Middle Money	Upper middle, converting from mass to class; price sensitive and prefer good deals	New American Dreamers	Maintain luxury lifestyles even if it's through credit

Adapted from Ann Marie Kerwin, "Brands Pursue Old, New Money," Advertising Age, 00018899, 06/11/2001, Vol. 72, Issue 24.

The non-affluent consumer²⁶

Non-affluent consumers fall in two broad categories – the middle class and the lower class. These classes are generally sidelined by big marketers, who are obsessed with the affluent class. As usually perceived, this class also spends money but their needs are different. They are more value-driven than price-driven and tend to be more brand-loyal than affluent class. They spend more on clothes, food, and home furnishings. Eating out is quite limited due to little or no discretionary income; and second hand and easy installment products are generally preferred.

Illustration 10.2: Making Mobile Communication a Minimum Requirement



Source: Reliance Infocom.

India, being a developing nation with a considerable population of non-affluent households, has a significant presence of businesses catering to the needs of non-affluents, from roadside eateries to unbranded clothes, cosmetics, etc. In the US, poor households, especially, have poor access to life's basics due to geographical location and lack of discount stores and low-cost restaurants, in such neighborhoods.

With discounters like Dollar General and Wal-Mart making inroads in this market segment, things have started to change. This forces these classes to spend more on their basic needs with less brand choices.

Some marketers treat affluent and non-affluent consumers very differently. Studies indicate that there is an inverse relationship between price consciousness and the social class of consumers.²⁷ This justifies the bringing out of watered-down versions of luxury products and services which the non-affluent buy, at much lower prices. The imitations of many licensed collectibles like Pokemon, Barbie, etc., for example, are sold by retailers in India. Similarly, imitations of designs of popular brands and designer wear become quickly available in local markets. In U.S., however, many marketers are adopting two-tier marketing approach, an example of which can be Winnie-the-Pooh²⁸, which have two distinct images. The original, line-drawn figure on expensive china, stationary, etc.; and a plump image, on inexpensive key chains, bed sheets, etc.²⁹

Old Money and the Nouveaux Riche³⁰

As discussed earlier in the chapter, attitudes towards money are generally different for different social classes. People with old money, arising from their lineage and ancestral wealth, generally value class more than money. This class generally socializes in its own confined circle and indulges in philanthropy. Various Indian royal families fall in this category, together with established big business houses like Tatas and Birlas.

Nouveaux riche, a term usually used in a derogatory context, is generally used to refer to new entrants from a lower class into high society. This segment often faces social stress related to cultural differences in high society and goes overboard to fit in, by excessive display of luxury. With the booming economy, the number of millionaires in India is increasing as we have already noted in Exhibit 10.1.

Techno Class

The technology revolution has thrown up a new class of people, who are comfortable with technology, especially computers and the internet; as against people who are low on computer literacy, who are referred to as the 'technological underclass.' Many recent 'rags to riches' stories in India have technology and dot-com revolutions as the backdrop. Infosys, for example, lifted many members of their workforce to the level of millionaires with their ESOPs. The tremendous growth of IT industry in India and lucrative future prospects are encouraging IT education in India.³¹ All this has also encouraged high penetration of computers among households of various classes, with parents, too, ready to become tech-savvy.

Status Symbol

A status symbol can be defined as "something, such as a possession or an activity, by which one's social or economic prestige is measured."³² These measures of social class are not permanent and keep changing. For example, there is at present a trend in the U.S. of celebrities and important people recruiting body guards, in the wake of increasing terrorist threats. The message seems to be – "If you don't have a bodyguard, you are not important."³³ There is a craze for club memberships in India that seems to be purely because such memberships are status symbols. Some of the top-rated clubs in India charge extremely high fees, have large waiting lists, and limited memberships. This makes membership all the more valuable as a status symbol.³⁴ Conspicuous consumption has increased, and there is increasing materialism. Marriage, for example, has turned into an occasion where display of wealth, and sometimes display beyond one's means, is done for the sake of establishing or maintaining one's status. Women, often assigned to mere decorative roles, are known as Billboard Wives and are reflective of husband's social standing and economic prosperity. Diwali is another such occasion where conspicuous consumption has become a norm (Refer Exhibit 10.2 for details).

Exhibit 10.2

The Conspicuous Diwali

Diwali, once a festival of lights, has turned into an occasion of display of wealth and status. During Diwali celebrations in India, some members of the affluent class spend lakhs of rupees on mere fireworks, as a status symbol. Expensive gifts, extravagant parties, gambling, and display of wealth by way of designer clothes and jewellery has become a norm in recent times. Even in case of corporate gifting, the spending has increased with Swarovski figurines, paintings, and MMS phones taking place of less fashionable gift items like suit lengths and crockery.

Adapted from Shefalee Vasudev, "Hip Diwali," India Today. Nov 4, 2002, 40-44.

Another status concept gaining popularity is parody display,³⁵ which mocks status symbols and adopts just the opposite. For example, some people rip off the name of the designer from their jeans, to make fun of those who consider symbols important.

SUMMARY

Behavioral economics focuses on the kinds of attitudes people have towards money and how they spend their money. Consumer sentiment is a significant influence which relates to consumer spending patterns; it depends on the employment scenario, the economy as a whole, the level of regular income, the quality of life, and stock market performance.

Consumer Behavior

Societies are generally divided into various hierarchical social strata, which are dependent on factors like education, occupation, and income. Different societies have different strata, which may vary from as low as two to as high as nine or ten. Most societies have three broad social classes – upper class, middle class, and lower class. People belonging to one particular class can move to other classes, willingly or unwillingly, in an open society. Such moves can significantly affect their consumption behavior. Consumer tastes and preferences are influenced greatly by consumer socialization, as well as economic, social, and cultural capital.

Marketers generally focus on affluent consumers, but recent trends have shown increasing penetration in middle and lower social classes. Many products and services are used by people as indicators of their social standing and are known as status symbols.

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Chapter 11

Cultural Influences

In this chapter we will discuss:

- Defining Culture
- Measuring Culture
- Core Values
- Defining Sub-culture
- Defining Cross-cultural Influences

Cultural Influences

On November 10, 2003, British Prime Minister (PM), Tony Blair, created history when he, along with several ministers and members of other political parties, celebrated the Hindu festival of Diwali in the British Parliament (House of Commons). Amidst the cheering of 500 Indians and the recitation of *shlokas*, the British PM lit the Diwali lamp to formally inaugurate the celebrations¹.

Illustration 11.1: Diwali Celebration in the British Parliament



Indians have immigrated to various parts of the world and have taken with them a slice of their cultural heritage. How else can one explain the fact that annual Diwali celebrations take place not only in Britain but also in many other countries throughout the world? Immigrant Indians are trying hard to preserve their culture and tradition in these foreign lands by forming organized bodies to spread awareness about their culture. They celebrate all Indian festivals; watch *Bollywood* movies; conduct *Dandiya* nights; narrate traditional Indian mythological tales to their children, who go to Hindi classes as well as classical Indian music and dance classes.²

As can be seen, culture has a great deal of influence on individuals. In this chapter, we will broadly discuss culture, sub-cultures, and cross-culture. We will also discuss various techniques to measure culture. The concept of core values will also be discussed briefly.

DEFINING CULTURE

Culture can be defined as “the totality of socially transmitted behavior patterns, arts, beliefs, institutions, and all other products of human work and thought.”³ It has also been defined as “shared behavior, which is important because it systematizes the way people do things, thus avoiding confusion and allowing co-operation so that groups of people can accomplish what no single individual could do alone. And it is behavior imposed by sanctions, rewards, and punishments for those who are part of the group.”⁴

In other words, culture consists of the collective behavior, beliefs, values, habits, tradition, and heritage of a society. It influences - what one eats, drinks, and wears; the kind of music, art, craft, movies, entertainment, and sports one loves; the language one speaks and festivals one celebrates; the work patterns - practically all aspects of one's life.

Consumer Behavior

For the purpose of understanding consumer behavior, culture has been defined as “the sum total of learned beliefs, values, and customs that serve to direct the consumer behavior of members of a particular society.”⁵

Beliefs are “something believed or accepted as true, especially a particular tenet or a body of tenets accepted by a group of persons.”⁶ Consumer beliefs are related to consumer’s knowledge and evaluation of stores, products, or brands. Values are “beliefs of a person or social group in which they have an emotional investment (either for or against something).”⁷

The cultural value system influences three essential constructs of human behavior⁸ –

- Ethics (e.g., good, bad, moral, immoral);
- Aesthetics (e.g., beautiful, ugly, pleasant, unpleasant); and
- Doctrine (e.g., political, social, ideological).

Values independent of objects or situations, are widely accepted by a society, and are difficult to change. Customs, on the other hand, are “overt modes of behavior that constitute culturally approved or acceptable way of behaving in a specific situation.”⁹

In most cultures across the world, for example, the faith in a supreme power (God) is a strong belief; togetherness and respect for all religions is a common value; and marriage and birth ceremonies are some of the important customs.

The Dynamics of Culture

Culture is omnipresent, it satisfies the needs of people, it is learned through socialization, it is a shared group phenomenon, and it is dynamic in nature.

Omnipresent culture

Culture has an impact on all aspects of life. Even everyday things like, praying before venturing out of home, and having family dinners are influenced by culture. However, the impact of culture on these things is often taken for granted. To truly understand one’s own culture, one should compare it with other cultures. To do this, one has to be exposed to people from different cultures. For example, most Hindus touch the feet of their elders as a mark of respect. It is only when they are exposed to people from different cultures that they see that each culture has its own way of showing respect. They then understand that touching elders’ feet is a part of Hindu culture.

Satisfies changing need

Culture serves as a guide to satisfy physiological, personal, and social needs. It provides certain standards that people follow because they are supposed to be for their welfare. Culture acts as a guide to how people should behave in different situations, how they should dress for different occasions, and so on. People automatically know what the appropriate behavior is in a particular situation because their culture is so ingrained in them.

One important thing to note regarding culture is that it not only serves present needs but also changes along with changing times. The shift in cultural beliefs, values, and customs can be caused by a multitude of factors like change in demographics, economic changes, introduction of new technology, war, large scale immigration leading to mixing of various cultures, etc. Just after India gained independence, for example, resources were scarce. This led to an attitude of saving among the Indians and became a part of Indian culture. However, the present day economic boom has encouraged a change in the cultural values of Indians, and they are now not shy of conspicuous consumption.¹⁰

The cultural shift provides alert marketers with new opportunities. An example of such a change in culture in urban India is the emergence of a large number of nuclear families with both husband and wife working. This has led to increasing opportunities for marketers of time and effort saving gadgets, fast food, ready-to-eat meals, etc.

In the U.S., the relaxed workplace culture has seen more and more people coming to the workplace dressed in casuals. A majority of the people believe that this change in workplace culture, from strictly formal to casual, has increased their productivity.¹¹ Marketers should, thus, identify the changing needs of a society due to cultural shifts and make their products more relevant to consumers' needs.

Culture is learned

Cultural variables – beliefs, values, and customs – are learned either formally (family teaches you how to talk, eat, drink, behave) or informally (learned by observing family, friends, media, etc.). Culture variables can also be taught by teachers in educational institutions.

The cultural meaning of products, i.e., the meaning a culture derives from a product/service (for example, the cultural meaning which Indians associate with family and togetherness may be reflected in products like cars, consumer durables, etc.) is not static; it keeps on changing.¹² Cultural meanings can be associated with the culturally constituted world, the consumer product itself, and the individual consuming/using it. The consumption choices of people cannot be appreciated without understanding the cultural context. Products often fail when marketers fail to understand the culture of their target consumer.

Cultural meaning, in the context of consumer behavior, is believed to be present in three locations (Refer Figure 11.1) – culturally constituted world, consumer goods, and the individual consumer. The meanings are transferred from the world to goods, and then from goods to consumer.¹³

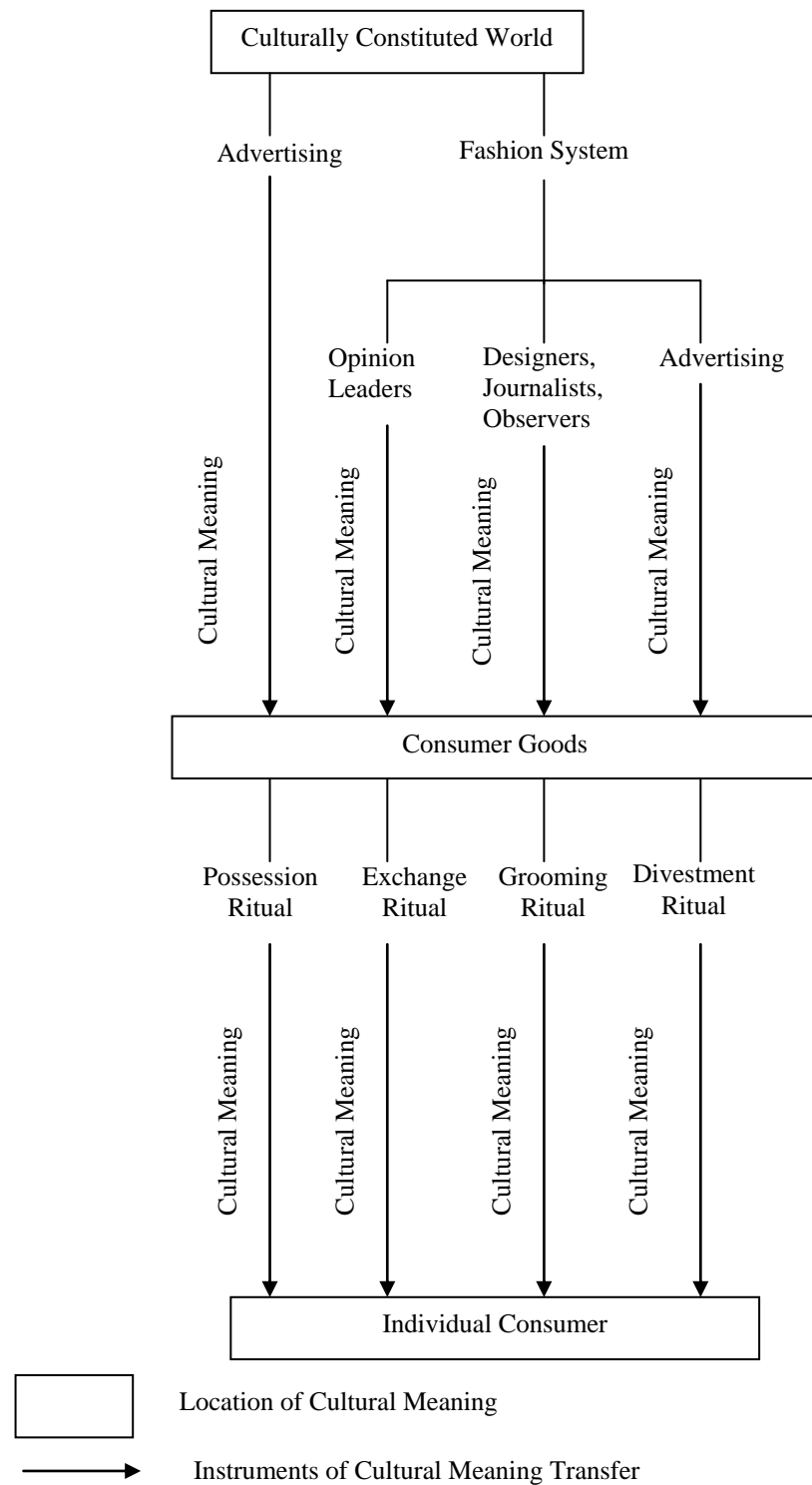
Every culture has its own beliefs, values and customs and its own perspective. It is the lens through which its members see the world. Culture, thus, constitutes the whole world for its members, a world in which everything makes sense. Anything outside it is considered alien.

The transfer of meaning from world to goods can happen either through advertising, or through a fashion system (which is a process of creating and converting the symbolic meaning to cultural products like art, music, clothing etc). Advertising plays an important role in relating goods with the cultural world, so they are not perceived as foreign or alien to the culture of the people they are being targeted at. The fashion system has more sources (advertising and opinion leaders) of meaning, than advertising, more agents of transfer (designers, journalists, and observers), and media of communication (mass media and word-of-mouth communication). Transfer agents associate new styles with the cultural world, while opinion leaders give new cultural meanings to goods, or at times, lead to radical cultural reforms.

Consumer goods carry cultural meanings, which are evident, like in the case of clothing, automobile and jewelry. These meanings may not be quite so obvious, in the case of things like kitchen crockery.

The transfer of meaning from consumer goods to the consumer can happen through four types of rituals (social actions devoted to manipulation of cultural meaning for collective and individual consumption) – possession ritual (transfer through discussion, display, comparison, showing-off); exchange ritual (transfer through gifting); grooming ritual (transfer through adoption of products which boost consumer confidence, self-image, like driving an expensive car, wearing branded clothes); and divestment ritual (transfer through selling and discarding used goods).

Figure 11.1: The Locations of Cultural Meaning and Its Movement



Adapted from Grant McCracken, "Culture and Consumption: A Theoretical Account of the Structure and Movement of the Cultural Meaning of Consumer Goods," Journal of Consumer Research, June 86, Vol. 13 Issue 1.

Enculturation and acculturation

As we now know, different cultures differ in their basic beliefs, values, and customs. Enculturation is the term anthropologists use to define the learning of one's own culture, while acculturation is the learning of another culture. . Consumer acculturation, more specifically, is "the process of adoption to the cultural consumption values and behaviors of one cultural group by members of another cultural group."¹⁴ It is very essential that marketers who target people of different cultures understand these two concepts.

People generally don't consciously recognize what makes their culture different from others, until they understand another culture and compare it with their own. The Indian 'namaste', the Japanese bow, American 'hi' are examples of greetings by different cultures.

Language and symbols

Marketers use verbal and non-verbal means of communication to advertise to the target consumer base. Language is a basic means of communication between individuals, therefore it is essential to transmit cultural understanding among members of a culture.

Marketers also need to understand the significance of non-verbal communication -- its symbols, colors, figures, textures etc., in the cultural context. Among Hindus, for example, red is considered an auspicious color and is associated with celebration. Marketers, who want to communicate to consumers about a product related to festivities, can make use of the color. Symbol is any sign, figure, etc., which is used in place of something else. Even the product and its attributes, its price, packaging, and distribution channels can serve as symbols from marketers, to be interpreted by the consumers. A cosmetics brand available only at high-profile stores, for example, may communicate exclusivity, quality, and high price; on the other hand, a cosmetics brand available with a small utility item shop may imply poor quality and low prices.

Ritual

People generally associate rituals with religion. In the modern context, ritual is not a mystical phenomenon, but an everyday routine. It is "a type of expressive, symbolic activity constructed of multiple behaviors that occur in a fixed, episodic sequence, and that tend to be repeated over time."¹⁵ These rituals can be either simple (say, a morning cup of tea or evening prayers) or elaborate affairs (say, taking vows during a marriage ceremony or singing the national anthem after the Republic Day parade). Ritualized behavior is typically a well-scripted act and is performed with formality, seriousness, and inner strength. Table 11.1 presents various types of ritual experiences.

Table 11.1: Types of Ritual Experiences

Primary Behavior Source	Ritual Type	Example
Cosmology	Religious	Religious festivals like Diwali, Id, Pongal, etc.
Cultural values	Rites of passage	Birth, graduation, marriage, death.
Group Learning	Civic	Election, parades.
	Group	Office lunch, friends get-together.
	Family	Meals, birthdays, mother's day, father's day, anniversaries.
Individual aims and emotions	Personal	Household rituals, grooming.

Adapted from Dennis W. Rook, "The Ritual Dimension of Consumer Behavior," Journal of Consumer Research, Dec85, Vol. 12 Issue 3.

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Ritual has four essential elements (Table 11.2 presents artifacts used in various rituals)

- Ritual artifacts (consumer products, used/consumed during the ritual);
- Ritual script (guides the use/consumption of ritual artifacts);
- Ritual performance role (the roles enacted by individuals as explicitly or vaguely defined in ritual script); and
- Ritual audience (all the people who witness the ritual, other than the individuals performing ritual roles).

Table 11.2: Artifacts Used in Various Rituals

Ritual	Important Artifacts
Engagement	Engagement ring
Weddings	Wedding sari, mangalsutra
Birthday	Birthday cake, candles, balloons
Diwali	Candles, diyas, crackers, decorative items
Valentine's Day	Flowers, cards, sweets

Adapted from Leon G. Schiffman and Leslie L. Kanuk, Consumer Behavior," Prentice Hall India, 7th edition, 329.

Another dimension of ritual is the ritualistic behavior, i.e., behavior which has become a ritual. An example of ritualistic behavior is the daily household duties performed by an Indian housewife, like –

1. Waking up early in the morning,
2. Preparing breakfast and lunch for family,
3. Taking a shower,
4. Praying,
5. Having late breakfast,
6. Taking an afternoon nap,
7. Picking children up from school,
8. Helping children do their homework,
9. Preparing dinner,
10. Having dinner with family,
11. Going to sleep.

Adapted from Leon G. Schiffman and Leslie L. Kanuk, "Consumer Behavior," Prentice Hall India, 7th edition, 328.

Culture is group phenomenon

Culture is a group phenomenon and all members have a basic set of common beliefs, values, and customs. As we discussed earlier, it is learned and learning one's own culture (enculturation) is an important part of consumer socialization. The main institutions that are involved in teaching one's own culture are – family (appropriate behavior, consumption habits); educational institutions (history, society, nationalism); religious institutions (knowledge of religion, moral and spiritual guidance); and media (reinforcing established cultural values, introducing audience to new tastes, ideas, customs).

MEASURING CULTURE

There are three tools which Western countries use most frequently to measure culture – content analysis, consumer fieldwork, and value measurement survey instruments.

Content Analysis

Content analysis is an objective approach to analyze the cultural content of all kinds of verbal, written, and pictorial communication in a society. The underlying principle is that communication is reflective of the cultural values and ways of life of a society. It also is quite an effective tool to measure cultural shifts. Fair&Lovely, a fairness cream by Hindustan Lever Limited (HLL), landed in a controversy over a television advertisement which activists claimed showed women in poor light.¹⁶

Both marketers and policy makers use content analysis to understand cultural shifts. While marketers use it to understand the effect of cultural shift on consumption pattern, policy makers use it to understand cultural shift so that they can make changes in old laws and government policies.

Consumer Fieldwork

Consumer fieldwork involves the qualitative and quantitative techniques of consumer research to understand the influence of their culture on their behavior and its subsequent effect on their consumption patterns. Researchers use various methods involving some subjects like observation (participative and non-participative), focus-groups, and in-depth interviews to not only understand consumption in the cultural context but also to identify emerging cultural shifts. Refer Chapter 1 for details.

Value Measurement Survey Instruments¹⁷

There are three methods that use some relevant words and statements (like ambitious, helpful, obedient, etc.) to measure the cultural values of a society. These are – Rokeach Value Survey, List of Values (LOV), and Values and Lifestyle Survey (VALS).

The Rokeach Value Survey is one of the most frequently used methods of measuring cultural values. It consists of two different but related sets of values – instrumental values (desirable modes of conduct) like ambitious, responsible, intellectual, etc., and terminal values (desirable status of existence) like freedom, equality, social recognition, etc. Each of these sets describes 18 values, which the respondent has to rank. The Rokeach Value Survey was initially used to explain the value structure of a society or the difference in value structure of different cultural groups. It is now increasingly been used to segment the population into groups that have common shared values. However, the Rokeach Value Survey is quite difficult to use due to the large number of values, which have to be ranked. Besides, not all researchers agree that the values put in under both categories are important. There is also disagreement among researchers on the interpretation of instrumental and terminal values and their classification under each head. The List of Values (LOV) method is quite similar to the Rokeach Value Survey and came into existence to overcome the latter's shortcoming of so many values having to be ranked. In the LOV method, the terminal values have been converted to a nine-item subset, respondents are asked to identify the two most important values. The Values and Lifestyle Survey (VALS) is based on need hierarchy and the social character concept. It consists of 32-36 questions relating to the general and specific attitudes of respondents and their demographic profile. The respondents are then classified into one of the nine lifestyle groups (See Chapter 2) on the basis of their responses.

CORE VALUES

The core values of a culture, in the context of consumer behavior, are based on three important criteria – acceptance by the majority of people in a society, endurance over a long period of time, and having a significant relationship with consumption behavior. A recent (2004) survey¹⁸, conducted in graduate and post-graduate colleges in the city of Indore (Madhya Pradesh, India), identified some core Indian values as perceived by the youth.

The values perceived by respondents to be existent in Indian society are – power, freedom, materialism, patriotism, love, team spirit, and worship.

Power: Respondents perceived power to be the most prominent value present in society. This could be due to the need of people to control actions of others.

Freedom: Freedom stands for self-determination and self-direction. It is not necessarily synonymous with non-conformity. Most post-graduate students ranked this value higher than graduate students, perhaps due to their self-direction and maturity.

Materialism: Most respondents equated material possessions with success in life, indicating that the present generation is much more inclined to see quick possession of material comforts as a sign of success, early in life.

Patriotism: All respondents ranked patriotism high, indicating the emotional attachment with their place of birth, culture, and people.

Love: Most undergraduate students ranked this value high. Love was associated with the feeling of happiness associated with the well being of one's loved-ones.

Team Spirit: Given the Indian culture of collectivism (others' interest over self-interest), most respondents felt comfortable with this value.

Worship: Respondents perceived worship as a form of commitment toward their work. They also viewed worship as a means to channel their energy, knowledge, and wisdom to give the best to their work.

The respondents also felt that the following values should be established in society:

- Discipline
- Duty
- Honesty
- Justice
- Punctuality
- Loyalty
- Peace

DEFINING SUB-CULTURE

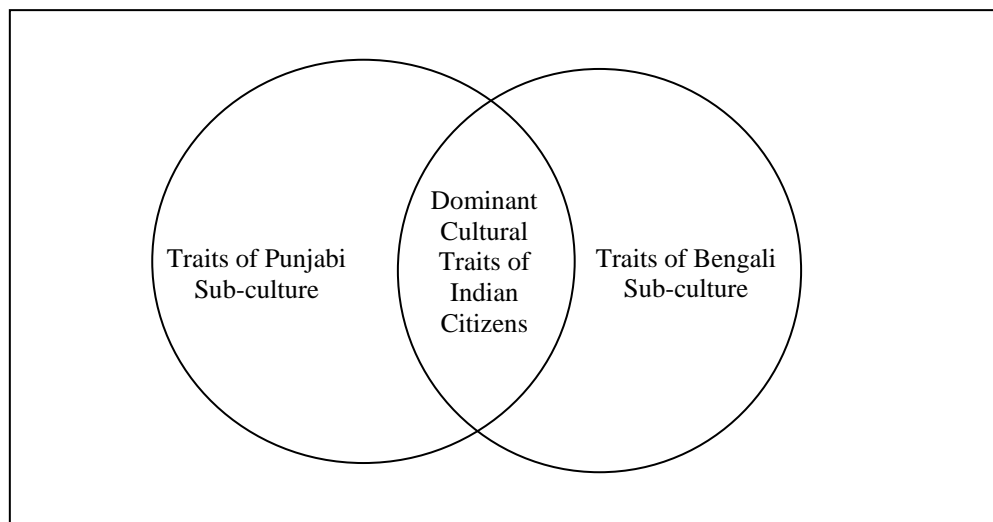
A society with a common culture can be sub-divided on the basis of socio-cultural (nationality, social class, religion) and demographic (region, language, occupation, age, sex) variables into various groupings called sub-cultures. Culture is, thus, related to the dominant cultural beliefs, values, and customs of a society, irrespective of the different traits of the multiple sub-cultures within that culture. A sub-culture, on the other hand, is “a social group within a national culture that has distinctive patterns of behavior and beliefs.”¹⁹ (Refer Table 11.3 for some examples of various sub-cultures in India).

Table 11.3: Examples of Some Major Sub-cultures in India

Sub-culture	Examples
Social Class	Upper, middle, lower
Religion	Hindus, Muslims, Buddhists, Jains, Sikhs, Christians, Jews
Geographic Region	North India, South India, East India, West India, rural India, urban India
Language	Hindi, English, Punjabi, Bengali, Gujarati, Malayalam, Telugu, Tamil, etc.
Age	Children, teens, adults, middle-aged, elderly
Gender	Male, female
Occupation	Doctor, engineer, scientist, laborer

Adapted from Leon G. Schiffman and Leslie L. Kanuk, Consumer Behavior,” (Prentice Hall India, 7th edition), 347.

An individual consumer can be a member of many sub-cultures at the same time (Refer Figure 11.2). Take for example, an adult (age sub-culture) Indian Christian (religion sub-culture) male (gender sub-culture) living in South India (geographic region sub-culture) and working as a trainee software engineer (occupational sub-culture) in a software organization. He is interested in photography and is a member of a local amateur photographer’s club (a club is again a sub-cultural group).²⁰

Figure 11.2: Relationship between Culture and Sub-culture

Adapted from: Leon G. Schiffman and Leslie L. Kanuk, Consumer Behavior,” (Prentice Hall India, 7th edition), 347.

We have already discussed various sub-cultures as part of socio-cultural and demographic segmentation in Chapter 2. Here, we will briefly discuss some important sub-cultural segments of Indian culture, namely, religion, age, and geographical region.

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Indian Religion sub-culture: India is a multicultural society with a large number of religions. Each religion has different religious beliefs, values, and customs. The Sikh religion, for example, prohibits the cutting/shaving of hair. The religious beliefs of consumers govern their consumption habits as also the festivals and festival shopping season. For example, the month of the year in which Diwali is celebrated has always been regarded as one of the biggest shopping seasons for Hindus, as Hindu families generally postpone their big purchases till then. Marketers can target these consumers to offer products that satisfy their needs and which are in tandem with their unique beliefs, values, and customs.

Indian Age Sub-culture: Consumer research has identified four lucrative age sub-cultures in India – technology babies, impatient aspirers, balance seekers, and arrived veterans. (Refer Table 11.4 for details).

Table 11.4: Lucrative Age Sub-cultures in India

Category	Born Between	Strength (in millions)	Characteristics	Consumption
Technology babies	1985-1996	32	Technology-driven; major contributor in family decisions regarding purchase of hi-tech gadgets; may or may not be direct purchasers	Computers and other technology products; best of gadgets
Impatient aspirers	1980-1984	16	Salary is pocket money and savings is not a priority	Cell-phones, apparels, eating out, automobiles
Balance seekers	1954-1983	41	Living on EMIs, and hard pressed for time	House, automobile, saving instruments, consumer durables
Arrived veterans	1943-1953	9	Financially independent children. Want to live a good life and indulge in their hobbies	Vacations, luxury products, electronics

Adapted from Malini Goyal, "The I & Me Consumer," India Today, July 12, 2004, 20-27.

Indian Geographic Sub-culture: The Indian subcontinent has diverse languages, climates, tastes and preferences based on geographical region. Almost all states have different languages, eating habits, traditional costumes, etc. Even climatic conditions vary significantly from one region to another, in India. While Rajasthan is known for its desert climate, Jammu & Kashmir is known for its snowfall. Marketers, thus, target geographical regions on the basis of these variables. Based on the language variable, for example, Google, has introduced search engine services in Hindi, Bengali, Marathi, Telugu, and Tamil, in India.²¹

Exhibit 11.1**American Sub-cultures**

American Nationality Sub-cultures: America has always been looked upon as a place where dreams come true. People from all over the world migrate to America in the hope of turning their dreams into reality. These people, including Hispanics and Asians, now form a considerable chunk of the American population (approx. 27%) with spending power of \$927 billion.²²

American Religious Sub-cultures: There are more than 200 religious groups in America and this aspect affects the consumption behavior of these groups. American Jews, for example, form an attractive market for marketers, with most of them belonging to the affluent class. Marketers are targeting them by providing food products conforming to Jewish dietary laws. Some marketers have even developed 'no-animal abstracts' cosmetics specifically conforming to religious sentiments of this community.²³

American Geographic Sub-cultures: Given the great variety of climatic conditions, various geographical regions have differing needs. Marketers, especially of food and clothing, cater to a large, geographically segregated market.

American Racial Sub-cultures: The two major cultural minority groups which marketers are increasingly focusing on are – African Americans and Asian Americans. Asian Americans include people from all Asian countries and they were estimated at 10.9 million in 2001. Marketers are targeting Asian Americans, given their increasing numbers and income.²⁴ African Americans, on the other hand, have comparatively lower incomes (the median household income is very low compared to the national average)²⁵.

American Age Sub-cultures: America has three major age sub-cultures – generation-X, baby boomers, and seniors. Generation X comprises young adults in the age group 18-29, who have annual spending power of \$125 billion.²⁶ They are more family-oriented and have close relations with their parents. They also give priority to their personal life over professional life.²⁷ Baby boomers (people born between 1946 and 1964) have high spending power and hold managerial posts or are professionals. The aging baby boomers, now seniors (55+ who constituted 55 million of American population in 1997)²⁸, do not fit in the typical stereotype of senior citizens as many lead an active lifestyle and perceive themselves to be young at heart.²⁹

Adapted from Leon G. Schiffman and Leslie L. Kanuk, "Consumer Behavior," (Prentice Hall India, 7th edition), 348-363.

Another multicultural society that needs a mention here is America. Exhibit 11.1 presents various American sub-cultures.

DEFINING CROSS-CULTURAL INFLUENCES

In the earlier section of the chapter, we discussed how culture influences consumption behavior. It is important to note that if the culture of a society or a country is further divided into sub-cultures owing to diversities in language, heritage, country-of-origin, race, etc., then it is obvious that consumers around the world will differ significantly in their tastes and preferences. In the context of cross-cultural influence in consumer behavior, we will consider a country as representing one culture.

The removal of trade barriers and international commitment to free trade has led to the opening up of various conservative world economies. As a result, the number of multinational companies (MNCs) has been increasing the world over. In India too, in

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the past 10-15 years, the presence of foreign brands has increased significantly. This has meant increased choice for the Indian consumer. Thus, instead of just HMT and Titan, Indian consumers can now choose from Omega, Swatch, Logines, Timex, and numerous other watch brands. The same is true for other product categories too.

Country-of-origin Effects

The purchase intention of consumers is often influenced by the image of the country-of-origin of the product or brand. This influence is known as the country-of-origin effect. It can be defined as “the impact which generalizations and perceptions about a country have on a person’s evaluation of the country’s products and/or brands.”³⁰ The country image is generally associated strongly with certain products or a complete product category. Japan, for example, is strongly associated with cutting-edge technology, but more specifically with all kinds of cameras. France, on the other hand, is strongly associated with fashion, perfumes, and wine. It would be very difficult for an individual to believe that France can also make high-tech gadgets. Similarly, a perfume from Japan may not evoke much confidence in the purchaser who is buying it for, say, gifting.

Also, consumers from different countries have different perceptions of products from a country. For example, consumers in the US may have high regard for electronic products made in Japan, but those in Europe may not have the same kind of perception of Japanese electronic goods.

Countries can also change their international image by actively marketing themselves in the target market. Scotland, for example, had to actively work to change its international image. Scotland studied the image it had in its important exporting markets. The research revealed that consumers in these countries had a positive image of Scotland, but associated it more with history and tradition rather than innovation and technology. Spurred on by the research, the ‘Scottish Enterprise’ organized a conference of important Scottish business leaders to understand their views on a campaign for a makeover of the national image. The Scottish business community viewed this as a positive move and identified some core Scottish values like people, quality of life, the environment, history/heritage, etc., to be presented to the important export markets. The following positioning statement was agreed on by the business community – “Scotland is a nation which stands for quality, with a history of ongoing innovation and achievement, is environmentally good, with a progressive, modern lifestyle which marries tradition with contemporary values.”³¹

It is important to note here that the country-of-origin effect not only influences foreign consumers, but also the domestic consumers themselves. Australia, in 1986, launched an “Australian Made” campaign to promote the domestic industry in the face of a rising acceptance of foreign products/brands among Australians, while the level of domestic unemployment increased.³²

The consumer purchase intention can also be significantly influenced by the relationships between the potential consumer’s country and the product’s or brand’s country-of-origin. If the two nations have friendly relations and no past animosity, the potential consumer might not hesitate to buy the product/brand. But in case of high present or past tensions, the very same consumer may not buy the product/brand. For example, Chinese consumers don’t like to buy goods made in Japan, even though they acknowledge their superior quality. They may, instead, prefer a Korean product/brand to the Japanese one.³³

Consumer ethnocentrism

Ethnocentrism means “people viewing their own in-group as central, as possessing proper standards of behavior, and as offering protection against apparent threats from out-groups.”³⁴ Consumer ethnocentrism is derived from this basic concept of ethnocentrism and has been defined as “the appropriateness, indeed morality of

purchasing foreign made products.”³⁵ Some key reasons for consumer ethnocentrism are doubts over the quality of foreign-made products and pure patriotism. There is a subtle difference between consumer ethnocentrism and animosity. While consumer ethnocentrism means preferring the products of one’s own country to foreign-made products, the concept of animosity is related to bias against products/brands of a particular nation with which the consumer’s country has tense relations.

The phenomenon of consumer ethnocentrism is often associated with developed nations like the US, while a preference for foreign products/brands is often associated with developing nations like India. In other words, it means that consumers from developing nations generally prefer foreign-made products to their own country’s products. It is also believed that consumer ethnocentrism is related to variables like age, socio-economic standing, and gender. Older consumers are believed to be more consumer ethnocentric than the younger ones; consumers in the lower socio-economic class are believed to be more consumer ethnocentric than the consumers in higher socio-economic class; and women are believed to be more consumer ethnocentric than men. A study conducted in India in 2004 shows that, contrary to popular belief, Indian youth, especially senior secondary school students, are highly consumer ethnocentric.³⁶

Targeting Consumers across Cultures

Global marketers are increasingly flocking to developing nations to capture the ‘middle class market segment.’³⁷ However, at times, they make the mistake of thinking that all markets are the same and that what sells in the domestic market will also sell in the international market.

People across countries can be different in some aspects and similar in others. Marketers have to understand the cultural differences before entering a foreign market with their brands. In case the two nations have similar cultures, the same marketing strategy can be employed. In case the cultures are quite different, a localized marketing strategy needs to be employed. These differences in cultures can be related to cultural beliefs and values, general attitudes, and way of living. In China, for example, foreign brands can only be successful if they inculcate the Chinese characteristics (guo qing). Thus, marketers of foreign brands must try to get as thorough an understanding as possible of the Chinese culture before entering the Chinese market.³⁸

It is important to note here that research may not always yield all the information needed to understand a country’s culture. Consumers in different nations may not be willing to share too much information, or even to be interviewed. In Saudi Arabia, for example, only family and religious gatherings are permitted by law; thus, the technique of focus groups cannot be used there. Marketers, therefore, try to employ the local research agencies in the country they wish to enter, knowing they will be better equipped to design questionnaires and conduct surveys.

Global versus Local

Marketers have always faced the dilemma of whether to position their brand as a global brand, thus, focusing on universal values and benefits (for example, physical well-being, status, sacrifice, altruism, heroism, leisure, creative spirit, romance, etc.), or to position their brand differently in different global markets.

There are three primary characteristics of a global brand – consistent name, standardized brand image, and similar product features. While there is no brand that fully meets all these criteria, there are a handful like Coca-Cola, McDonald’s, Kodak, British Airways, and American Express, which come quite close to being regarded as global brands.³⁹

Many international marketers believe that the definition of a global brand is too far-fetched and impractical.

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A consistent name is sometimes not possible, as the same word may have a different meaning in other languages. Marketers, thus, may have to change the names of their brands in different countries to avoid unpleasant experiences. Ford, for example, faced a language problem with its truck 'Fiera' in Spain. When translated in Spanish, it meant 'ugly old woman' which obviously hampered sales.⁴⁰

In 1923, the advertising manager of Goodyear tire and rubber company stated that "just as green is green in Buenos Aires as well as in Batavia, just as two and two are four in Cape Town as well as in Copenhagen, just as the main purpose of advertising is to sell goods, in Singapore as well as in Sydney or Santiago, so all the primary purposes of advertising are identical in all countries, and all fundamentals of good advertising are essentially the same north and south of the Equator and east and west of Greenwich."⁴¹

Contrary to the views given above, many international marketers often take the middle path, i.e., employ a mixture of both global and local strategies. Although, a centralized advertising strategy (global theme and global execution) can be economically beneficial due to economies of scale; many international marketers, like Coca-Cola and Unilever, prefer a centralized advertising strategy with local execution. Under this strategy, the advertising message is the same; only the players are changed keeping in mind what is relevant in the local market. This kind of strategy is considered to be crucial for acceptance of a brand in a particular country. For instance, in the Middle-East, Nivea relied more on outdoor media as it worked out to be much more cost-effective. And since showing skin in the advertisements went against the region's culture, the company devised ways of advertising skin care without showing skin.⁴²

In France, McDonald's offers wine and in Germany, it offers beer; in the U.S., however, it doesn't offer any sort of alcohol. Similarly, the taste of Coca-Cola is slightly different in different countries. The reasons can be numerous, from availability of raw material to local restrictions.⁴³

The above discussion shows that marketers have four strategy options:

1. Uniform product and uniform message
2. Uniform product and localized message
3. Localized product and uniform message
4. Localized product and localized message

To determine which strategy a marketer should adopt, a cross-cultural consumer analysis has to be done of consumer beliefs, values, customs, way-of-life, and general attitudes.

Cross-Cultural Marketing Mistakes

Marketers often fail to employ the proper strategy in different nations before they launch their brands. Exhibit 11.2 presents the problems that food giant, Kellogg's, faced in India due to a lack of in-depth understanding of the Indian culture, way-of-life, tastes, and preferences.

Brand failures or problems due to cultural misinterpretation are numerous:

- Product problems (Hallmark failed miserably in France when it assumed that like all other nations where it operated, the French would also like cards with messages written inside. The French, however, preferred to write their own messages in the greeting cards)⁴⁴;
- Promotional problems (KFC in India failed to attract families as Indians perceived it as a fast-food joint which only served fried chicken)⁴⁵; or
- Pricing Problems (Maggi noodles initially failed to cut ice in India due to prices which the target consumers perceived as not being value-for-money).

Exhibit 11.2**Kellogg's in India**

Kellogg India Ltd. (Kellogg) is the wholly-owned Indian subsidiary of the Kellogg Company based in Battle Creek, Michigan. Kellogg Company is the world's leading producer of cereals and convenience foods, including cookies, crackers, cereal bars, frozen waffles, meat alternatives, piecrusts, and ice cream cones. Kellogg Company set up its manufacturing facility in India, with a total investment of \$ 30 million. The Indian market held great significance for it as its US sales were stagnating and only regular price increases had helped boost the revenues in the 1990s.

Launched in September 1994, Kellogg's initial offerings in India included cornflakes, wheat flakes and Basmati rice flakes. Following are some of the mistakes made by the brand in Indian market:

1. Kellogg banked heavily on the quality of its crispy flakes. But Indians, unlike people in the West, used warm or lukewarm milk with the cornflakes. They also liked to add sugar to their cornflakes. When the Kellogg flakes were put into hot milk, they turned soggy and did not taste good. But if cold milk was used, the sugar did not dissolve easily and it was not sweet enough to suit the Indian palate. Moreover, the rice and wheat versions did not do well. In fact, some consumers even referred to the rice flakes as rice corn flakes.
2. A typical, average middle-class Indian family did not have breakfast on a regular basis like their Western counterparts. Those who did, had milk, biscuits, bread, butter, jam or local food preparations like idlis, parathas etc. According to analysts, a major reason for Kellogg's failure was the fact that the taste of its products did not suit Indian breakfast habits.
3. The company's advertisements and promotions initially focused only on the health aspects of the product. In doing this, Kellogg moved away from the successful 'fun-and-taste' positioning that it adopted in the US. Analysts commented that this positioning had given the brand a 'health product' image, instead of the fun/health plank that the product stood on in other markets. (In the US for instance, Kellogg offered toys and other branded merchandise for children and had a Kellogg's fan club as well.)
4. Another reason for the low demand was deemed to be the premium pricing adopted by the company. At an average cost of Rs 21 per 100 gm, Kellogg's products were clearly priced way above the products of its main competitor, Mohun's Cornflakes (Rs 16.50 for 100 gm). This gave the brand a premium image, making it seem unattainable for the average Indian consumer. Even customers at the higher end of the market failed to perceive any extra benefits in Kellogg's products. A *Business Today* report said that like other MNCs, Kellogg had fallen into a price trap, by assuming that there was a substantial latent niche market in India for premium products.
5. Kellogg had also decided to focus only on the premium and middle-level retail stores. This was because the company believed that it could not maintain uniform quality of service if it offered its products at a larger number of shops. What Kellogg seemed to have overlooked was the fact that this decision put large sections of the Indian population out of its reach.

Source: *Kellogg's Indian Experience*, ICMR Center for Management Research.

SUMMARY

Culture is a set of socially transmitted beliefs, values, and customs. It is a collective social phenomenon and influences the consumption behavior of individuals throughout the world. Consumer beliefs are related to consumers' knowledge and both consumer beliefs and values help them in the evaluation of stores, products, and brands.

Culture is dynamic in nature and changes with the changing needs of people. It influences all human dealings and is learned through socialization. Cultural meaning, in the context of consumer behavior, is believed to be present in three locations – culturally constituted world, consumer goods, and individual consumer. The meanings are transferred from the world to goods through advertising and the fashion system; and then from the goods to the consumer through various rituals like possession ritual, exchange ritual, grooming ritual, and divestment ritual.

Different cultures differ in their basic beliefs, values, and customs. The learning of one's own culture is known as 'enculturation' while learning of a foreign culture is known as 'acculturation.' Language, symbols and rituals are also important ingredients of a culture and play an important part in marketers' communication to the target market, which may be a local community or a foreign market.

There are three techniques to measure culture – content analysis (the content of local communication is reflective of the cultural values and way of life of a society); consumer fieldwork (the use of qualitative and quantitative techniques of consumer research to understand the cultural behavior and its influence on consumption); value measurement survey instruments (directly asking people about their cultural values). There are three instruments of value measurement survey – the Rokeach Value Survey, List of Values method (LOV), and Values and Lifestyle Survey (VALS).

Every culture has some core values; however, in the context of consumer behavior, core values are determined on the basis of - acceptance by a majority of people in a society, endurance over a long period of time, and significant relationship with consumption behavior. Cultures are further divided into smaller cultural units known as sub-cultures. The basis of division can be nationality, social class, religion, region, language, occupation, age, sex, etc. An individual can be a member of one or more sub-cultures simultaneously.

Consumers all over the world are from different nations and have different cultures. The world focus on free trade has led to a large number of marketers targeting consumers in foreign countries. These marketers need to understand that the purchase intention of the potential consumer is greatly influenced by the image of the country-of-origin. The image of the country can be related to some specific products or product categories. Consumers from different countries can have different perceptions of products from a country. The domestic consumers themselves may be greatly influenced by the image of the country and may prefer a foreign product from a country that they perceive to be good at producing such products.

Sometimes, the international relations among nations also influence the purchase intentions of the potential consumers. Consumers of nations with a recent history of animosity may not buy products from each other even though they are aware of the better quality of these products/brands. Consumers may also feel that it is immoral to buy foreign made product/brands (consumer ethnocentrism).

Marketers often have to make choices on whether to adopt a global marketing strategy or a local marketing strategy. Global strategy means that there is no change in brand name, attributes and promotion strategy across nations. Many marketers, however, prefer a more flexible approach to marketing, using a mixture of both global and local strategies, i.e., a global strategy with local implementation. Marketers often make the mistake of ignoring the cultural differences in terms of consumer needs (product problems), promotion, pricing, and distribution, leading to failure.

End Notes:

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Part IV

Consumer as Decision Maker

Chapter 12

Diffusion of Innovation

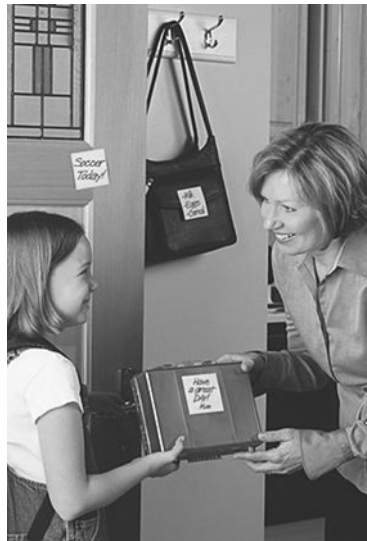
In this chapter we will discuss:

- The Diffusion Concept
- A Profile of a Customer Innovator

Consumer Behavior

3M is a US-based technology company, with a reputation for its innovations. In 1970s, it came up with a revolutionary office communication tool – Post-it® Notes. In 1977, these self-stick, removable notes were test-marketed in four major US markets. The response was less favorable than what company had expected. 3M realized that in the absence of samples of this new product, consumers seemed to be unwilling to purchase the product. To tackle this problem, the company undertook an extensive sampling initiative (popularly known as the ‘Boise Blitz’) in Boise, the state capital of Idaho, USA. Offices in the city were flooded with samples of Post-it Notes, which eventually encouraged trial of the product. An astounding 90% of the consumers, who tried the product, said they would buy it.

Illustration 12.1: Post-it® Notes



Source: www.3m.com

Following up on this, 3M introduced their Post-It Notes in 11 other states in similarly extensive sampling initiatives. The product became such a big success that buyers began to ship the product to places where it had not yet been introduced. In 1980, 3M introduced Post-it Notes nationwide. It is considered as one of the most revolutionary products in office stationery which raised the efficiency of communication between people, especially in their workplace.¹

Innovations such as these have to find a way into consumers' lives. This part of the journey of innovation, from producer to consumer, is the subject of this chapter. We will describe the nature of innovation and, how and why it is possible for innovations to reach a large number of consumers. We will also discuss the various aspects of the consumer adoption process, the concept of externalities, and role of the opinion leaders and market mavens. The profile of consumer innovators and non-innovators will be discussed in detail. The concept of innovation resistance will also be discussed briefly.

THE DIFFUSION CONCEPT

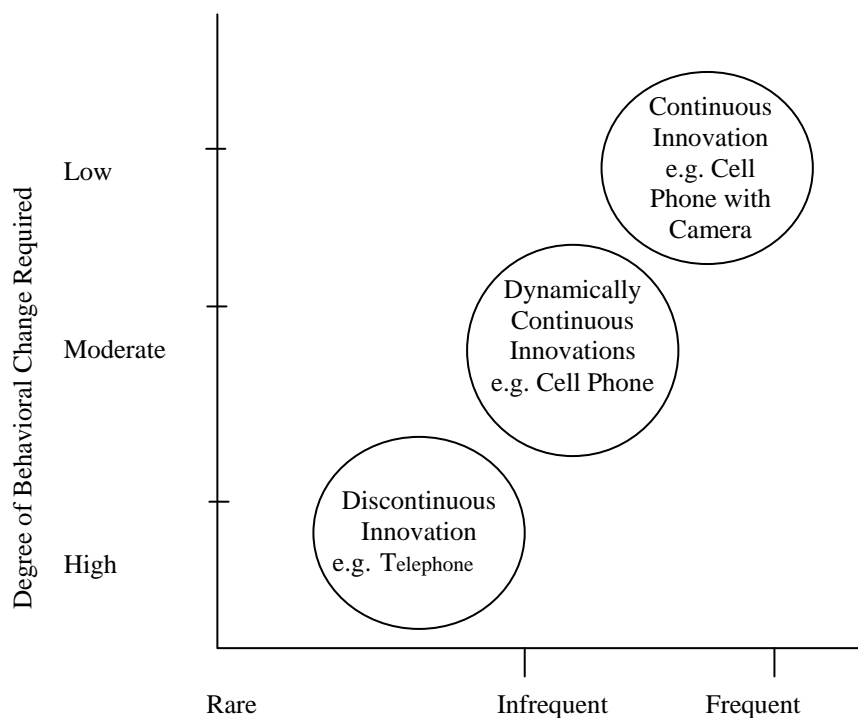
Diffusion of innovation explains how an innovation reaches the consumer and reasons for its acceptance or rejection by them. Diffusion is “the process by which an innovation is communicated through certain channels over time among the members of a social system.”² The diffusion process, therefore, explains the ways in which an innovation reaches a wide consumer base. The key elements of diffusion are: innovation, channels of communication, time, and social system. We will discuss each in detail.

Innovation

All new products introduced in the market may not be innovations. An innovation “is an idea, practice, or object perceived as new by an individual or other unit of adoption.”³ The keywords here are perception and new. A new product can be an improved version of an existing product (Microsoft Windows Millennium in place of Windows 97) or an entirely new product category (mobile telephony). A product will not be considered an innovation until and unless it is perceived to be new. The product⁴ might be perceived new by – i) the company launching the product, ii) the market, or iii) the individual consumer.

The process (build-to-order computers), product (cell phones with camera), channels (online gift sites), customer experiences (designing own car), etc. may be new for the company, but may or may not be perceived as new by the final consumer. At the market level, the product might be perceived as new if – the time elapsed since the launch is less than the industry average time (say 6 months, if the industry average time is 1 year) or the percentage of adopters, out of the total potential adopters, is less than the company’s pre-planned target (say, new if less than 5% of the potential adopters, have taken to the product). The product is an innovation for an individual consumer, if it is perceived to be new by him or her, irrespective of the market realities.

Figure 12.1: Types of Innovation based on Degree of Behavioral Change Required and Frequency of Occurrence



Adapted from Leon G. Schiffman and Leslie L. Kanuk, *Consumer Behavior*, (Prentice Hall India, 7th edition), 413.

Consumer Behavior

Consumers' needs are often a rich source of innovative ideas. With constantly changing business rules and highly dynamic markets, the opportunities for innovation are ample - whether it's the need to store liquid foods in a better way (Tetra Packaging), or for efficient reminders, at home or office (Post-it-Notes). A successful product innovation need not be a complex multi-purpose instrument - a focused, simple innovation can be as effective. According to a survey conducted by Accenture in the year 2002, most businesses today recognize that their future growth depends on innovations, but despite this recognition, they often stumble because generation of ideas and execution are not properly managed.⁵

Types of innovations

There are three types of product innovations. These are distinguished depending on the influence the innovation has on the consumers' current usage pattern - discontinuous innovations, dynamically continuous innovations, and continuous innovations (Refer Figure 12.1).

1. *Discontinuous innovation*: These are the revolutionary new products which completely change the existing consumer usage and behavioral pattern. These innovations generally occur once in a while. And when they do occur, they change the everyday life of the consumers. Examples are television, the internet and the aeroplane. While the introduction of television changed the way the information and entertainment reached the consumer, the internet revolution in late 80s made the world a global village. The same way, planes reduced travel time from weeks/days to hours.
2. *Dynamically continuous innovation*: These innovations are not as revolutionary as discontinuous innovations but affect the current usage pattern of the consumers quite a bit. Examples are the digital camera (innovation over the existing still camera technology), and laptops (developed after desktop computers).
3. *Continuous innovation*: These innovations involve slight changes or modifications in product features which companies make at regular intervals to provide more variety to the consumer. It does not involve making a completely new product. These have a small effect on the consumer's current usage pattern. These kinds of innovations are quite frequent in all kinds of products from consumer durables to automobiles to household items like detergent powder. Examples are the improved version of Surf - Surf Excel, the Bajaj Pulsar with better mileage and power, and Rasna with added calcium.

More often than not, improvements are only cosmetic. Microsoft's Technical Manager, Jeff Lill, admits: "A competitor comes in and does something interesting: Then, we come in and basically clone it; do it marginally better and throw some marketing clout behind it; then, relentlessly make it better over the years. That is our strategy. And it has worked damn well."⁶

Factors affecting innovation adoption

Adoption is, simply, the acceptance of a new idea or product. Every new product is launched for the purpose of consumer adoption. But all new products do not necessarily become huge successes. The product innovation needs to possess certain basic attributes for it to spread quickly to the target market. These attributes influence the rate and the time the innovation will take to be adopted by consumers. The important attributes are - i) relative advantage, ii) compatibility, iii) complexity, iv) trialability, and v) observability (Refer Table 12.1 for a summary of these attributes).

Table 12.1: Attributes of Innovation

Attributes	Definition	Impact on Adoption	Examples
Relative Advantage	Better than the existing alternatives in the market	Positive	Color TV with remote control and child lock over Black & White TV without these features.
Compatibility	Consistent with consumer needs, existing values, and past experiences	Positive	Packed juice over freshly drawn juice
Complexity	Difficult to understand and use	Negative	Electric rice cooker over pressure cooker
Trialability	Experiment with the innovation on a limited basis	Positive	Trial packs of new products, demo versions and limited period download of software.
Observability/ Communicability	Visibility of the product features and benefits	Positive	The smart clothing which changes colors with season, the new convertible car by BMW.

Adapted from Leon G. Schiffman and Leslie L. Kanuk, *Consumer Behavior*, (Prentice Hall India, 7th edition), 418 Micahel Song and Stuart Read, "DINAM: A Model of Innovative Product Adoption in the Presence of Direct and Indirect Network Externalities," (<http://weatherhead.cwru.edu/maps/docs/Read%20paper.pdf>).

- **Relative Advantage:** Consumers come across large numbers of innovations, but only some are readily adopted by consumers due to the additional perceived benefits the innovation offers as compared to the existing alternatives. This perceived benefit is referred to as relative advantage.

Relative advantage has a positive relationship with the diffusion of innovation, i.e., the higher the relative advantage, the larger the number of consumers who are inclined to buy it. An example is the mobile phone over the landline phone.

- **Compatibility:** Consumers have set behavioral patterns due to past experiences, beliefs, and habits. It is very difficult to change these patterns and marketers try to make their innovations compatible with the established usage and behavioral pattern of the consumers for quick adoption. Compatibility, thus, is the measure of the consumers' perception of the innovation's consistency with their established usage and behavioral pattern.

Compatibility has a positive relationship with the diffusion of innovation, i.e., the higher the compatibility of the innovation with consumers' needs, values, and experiences, the larger the number of consumers who adopt it. An example is packed juice which addresses the consumers' need for convenience as well as the option of storing it for a longer period of time. An innovation like hair removing cream intended for men, to be used instead of shaving, may prove to be incompatible with the established usage and behavioral pattern of men and has a greater chance of being rejected by the target segment.

- **Complexity:** Consumers have a tendency to adopt things which they understand and can use easily. Often, highly complex electronic gadgets leave people confused. The perceived complexity of an innovation is the degree to which the end consumers find an innovation difficult to understand and use. Complexity has a negative relationship with the diffusion of innovation, i.e., if consumers find a new product very complex in nature, very few will be interested in actually purchasing it.

Illustration 12.2: Making Technology Simpler



Source: www.philips.co.in

- In the case of technological innovations like application-based software and hi-tech gadgets, the issue of the consumers' ability to adopt the innovation gains more importance than their willingness to adopt it. The consumers' comfort level with the technology goes down considerably if they need to understand lot of operational technicalities in order to use the innovation.
- *Trialability*: Trial of a new product before purchase often helps consumers to make the purchase decision. Perceived trialability of an innovation is the extent to which the consumers can experiment with it. This has a positive relationship with the diffusion of innovation. It is very important in high-value products like designer clothing, and products directly affecting the general health and well-being of consumers, like personal care and food items. Since trialability reduces the perceived risk of adoption, it facilitates the buying decision of consumers. In India, small sachets have provided consumers with the opportunity to try a product before finally adopting it. Examples of trialability are test-driving in case of automobiles, trial of readymade clothing to check the fit and look of the dress, and the demo version of games and application software launched for a small duration of time.

But trialability does not affect services like air travel. There is no possibility of a trial on an experimental basis, for such services. That's why, in products where opportunity to actually try a product is very limited or does not exist, the role of opinion leader and word-of-mouth communication is considered to be extremely important.

- *Observability*: New products which are visible to other potential adopters diffuse at a faster rate. Perceived observability or communicability is the ease with which an innovation's features and benefits can be observed by other prospective buyers. Observability has a positive relationship with the diffusion of innovation. Clothes and accessories, automobiles, etc., are examples of products with high observability, but in case of products like a new model of cooking gas cylinder or exhaust fan, the benefits are not on display in public and so are not very obvious.

Other factors affecting adoption are the type of social system (modern or traditional), type of decision (individual or group), marketing effort (correct market segmentation and communication channels), need fulfillment/problem solving (the more obvious the problem solved by the innovation, more rapid the adoption), and perceived risk (the lower the perceived risk, the higher the probability of faster adoption).⁷ Networked innovations like the telephone, mobile, etc. are affected by some additional factors (Refer Exhibit 12.1 for details).

Exhibit 12.1**Externalities of the Networked Innovation**

Some researchers have pointed out certain externalities or external factors of the networked innovation (e.g., telephone, internet, fax etc., where the new product can be used as a part of a network) like the role of marketing activities and the role of competitive activities, which influence its rate of adoption. Network externality describes the direct relationship between a networked innovation's use-value to a new adopter, and the total size of the network: the bigger the total user network, the more the use-value to the new adopter. There are two types of network externalities which affect the adoption – direct network externality and indirect network externality.

Direct network externality describes the increase in product value associated with having additional users in the network. An example is the telephone. One person having a telephone doesn't serve any purpose. A 'critical mass' (Critical mass here refers to a minimum number of individuals required to make the network run efficiently) has to be reached to make the product valuable. It depends on – the adoption threshold (the number of other previous adopters needed before the individual will consider adoption); actions of early adopters; sponsorship (subsidizing early adopters); and the adopter's expectations that technology will eventually be widely adopted.

Indirect network externality describes the scenario where adoption of an innovation is directly related to adoption of some other complementary products. For example, a person doesn't purchase computer software unless he has some computer hardware, and a cell-phone can't be used without a sim card. The two are complementary in nature and thus, both have to be used simultaneously to be useful. This kind of externality may lead to certain standardized systems which may limit consumer choice and force the consumer to pay for a compatible product. An example is the necessity of only a Microsoft platform with certain types of hardware, or LG and Samsung's cell-phones being useable only with the Reliance network. A consumer who adopts such a product is forced to stick with the compatible option as well.

Innovations with network externalities have four unique characteristics which have an impact on the adoption. They are – i) greater expense for the consumer, ii) the time to generate returns on the innovation is shorter due to stifled competition, iii) the company has the incentive to indulge in penetrative pricing to accelerate diffusion, and iv) high returns if the product is successful with technological lock-ins (use of compatible technologies to operate a product).

One important point to note in case of the networked innovations is the pricing. If prices are fixed too low, this can lead to the *network overload* (number of users using the network is more than the network's capacity) while too high a price can make the product too expensive for the consumer. Clearly, the factors that affect adoption of the networked innovations need to be looked at carefully in order to predict adoption with accuracy - a major challenge for innovators.

*Adapted from Micahel Song and Stuart Read, "DINAM: A Model of Innovative Product Adoption in the Presence of Direct and Indirect Network Externalities," (<http://weatherhead.cwru.edu/maps/docs/Read%20paper.pdf>); Robert G. Fichman, "Information Technology Diffusion: A Review of Empirical Research," MIT Sloan School of Management <http://www2.bc.edu/~fichman/Fichman_1992_ICIS_IT_Diff_Review.pdf>Michael L. Katz and Carl Shapiro, "Technology Adoption in the presence of Network Externalities," *Journal of Political Economy*, 1986, Vol. 94, No. 4*

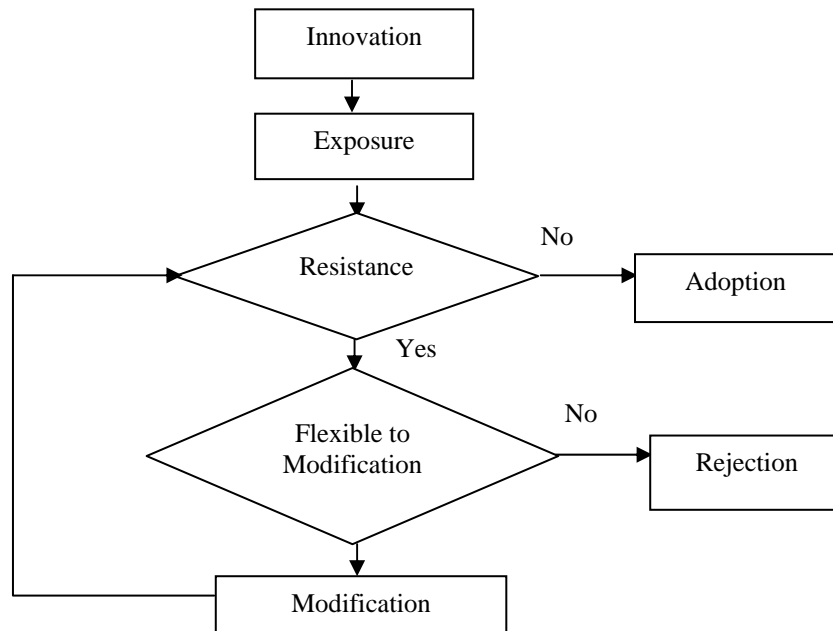
Consumer resistance to innovation

Not all innovations that are introduced to the market become successful. The lack of adoption in case of a cosmetic is innovation not because of consumer resistance, but due to the failure of the company to meet the consumers' perception of newness.

Consumer Behavior

Innovation resistance is “the resistance offered by the consumers to an innovation, either because it poses potential changes from a satisfactory status quo, or because it conflicts with their belief structure.”⁸ The resistance to innovation will increase if the relative advantage, compatibility, trialability, and observability are perceived as low, and complexity is perceived as high by consumers. One more attribute of innovation – flexibility or capacity for modification – becomes very important if there is consumer resistance to an innovation. If there is resistance to a modifiable innovation, the company can modify the innovated product to make it more acceptable to the consumer, thus increasing its chances of success. The modification will have to be based on the cause of the resistance. If a new kind of computer mouse is being resisted, the marketer will have to enquire about the causes. Say if the cause is that even though performance is better than earlier models, the design or shape of the mouse makes the user uncomfortable. In this case, the marketer will need to modify the design and then relaunch the model for the consumers’ adoption or rejection. (Refer Figure 12.2 illustrating the consumer resistance to innovation model).

Figure 12.2: A Model of Consumer Resistance to Innovation



Adapted from S. Ram, “A model of Innovation Resistance,” Advances in Consumer Research, Vol. 14, Issue 1 (1987).

To counter the problem of consumer resistance to innovations, many innovating companies like 3M use the lead user approach⁹ (in this approach, a lead team comprising of managers and technical staff, works together to devise profitable innovations), while some other companies rely on the feedback given by their consumers. Both these approaches to churn out profitable innovations can also play an important role in identification of the innovation’s limitations and alternative uses. This not only reduces the probability of resistance but also increases the potential market as the company focuses on the alternative uses. Sometimes, the failure of an innovation (due to factors like narrow target market, or rejection by target market) also forces company to search for alternative uses of the innovation. An innovation intended for a particular market segment instead finds acceptance with some other market segment.¹⁰

Innovation resistance is greater in the case of discontinuous innovations which greatly disrupt the consumers' beliefs and past experience. The resistance can vary in degree – inertia (disinclined to adopt), active resistance (perceived risk is high and tendency to postpone adoption), and very active resistance (innovation perceived as unsuitable and can result in anti-adoption drive);¹¹ and exists across product classes from IT to consumer durables to medicines.

The idea of a woman's condom may not go down well with women (inertia), microwave ovens were initially resisted by consumers due to fear of radiation (active resistance), and the use of compressed natural gas (CNG)¹² instead of diesel in public transport in New Delhi¹³ led to a great hue and cry by bus and auto contractors due to performance doubts and shortage of engine manufacturers and CNG fuel stations (very active resistance) (Refer Table 12.2 for barriers to innovations which lead to consumer resistance).

Channels of Communication

Communication provides a platform through which information flows. There are two types of communication flows – marketers to consumers (through mass media and sales person), and among consumers (through word-of-mouth and opinion leader). Apart from these traditional channels of information for consumers, other sources available are product-dedicated websites (www.indiacar.com), company websites (www.3M.com), product-related magazines and journals (Dataquest, PC World etc.), consumer shows and exhibitions, TV shows dedicated to innovations (Asian Sky Shop), and SMS. Sponsored TV programmes, beauty pageants, national level awards, and game shows, and company logos on apparels, bags etc., have also become major sources of information to consumers, and obviously, a rich source of brand building for companies. An example is the Lycra(R)¹⁴ MTV Style Awards which took place in India in late 2004.¹⁵

Several consumer behavior studies have shown that word-of-mouth is an important source of information for many consumers, especially young female consumers. It is considered crucial while choosing the services of a doctor or a lawyer. It is also considered important while making a choice regarding vacations, airlines, restaurants, entertainment, banking services, etc. In the age of internet, word-of-mouth communication is taking place digitally with opinion polls, chat rooms, and sites which provide consumers a platform to interact.¹⁶

In the age of information overload¹⁷, marketers understand the importance of word-of-mouth communication to consumers. They try to spur positive word-of-mouth about their new products by influencing community leaders and other influential people in a society (e.g., exclusive saloons owners like Habib, fitness club owners, etc.).

Social System

Social interaction is an important need for all and this is why we live in a social system with people sharing similar values and beliefs. A social system is “a set of interrelated units that are engaged in joint problem solving to accomplish a common goal.”¹⁸ Communities of farmers, doctors, housewives, AIDS patients, club members, technophiles, etc., are all examples of a social system. All the members of a social system have their own social and cultural environment in which they interact with each other. Each social system has a social hierarchy (e.g., opinion leaders and opinion seekers) and communication network (sub-groupings of similar kind of people). The social hierarchy and communication network within a social system determine the direction of diffusion (upward, downward, or across), and rate of adoption. The social norms, i.e., the established behavioral patterns of the members of the social system, are also a determinant in the adoption of an innovation.¹⁹

Table 12.2: Barriers to Adoption and Marketing Strategies to Overcome Them

Type of Barrier	Sub-type	Example	Marketing Strategy
(A) Functional Barrier	1) Usage Barrier (Incompatibility with existing workflow, practice, or habit)	Online Shopping	Improve the overall product package and go for market development.
	2) Value Barrier (low/performance to price value, compared to substitutes)	Digital Camera compared to normal Camera	Modification & duvet, improvement in positioning and lowering price.
(A) Functional Barrier	3) Risk Barrier	New Drugs, new facial creams, new type of hair colors	A well-known Brand Name Reduces Risk Perception, Proper Endorsement and Testimonials, Facilitate Trials.
	i) Physical Risk (Potential harm to person/property)	High-tech items like laptops, digital cameras etc.	
(A) Functional Barrier	ii) Economic Risk (Higher the cost of shifting to Innovation, higher-the economic risk)	Launch of diesel car in small car segment	A well-known Brand Name Reduces Risk Perception, Proper Endorsement and Testimonials, Facilitate Trials.
	iii) Functional Risk (Risk due to fear of performance uncertainty)	Adopting a new style of shredded jeans while the trend of classic jeans is still strong.	
(A) Functional Barrier	iv) Social Risk (Fear of Social ridicule)		A well-known Brand Name Reduces Risk Perception, Proper Endorsement and Testimonials, Facilitate Trials.
B) Psychological Barrier	1) Traditions Barrier (When an innovation adoption require deviation from established traditions)	Low adoption of women's western wear in a conservative society.	Educating consumers and use of change agents (Sales force). Understand & respect tradition.
	2) Image Barrier (Stereotyped Image of Origins of an Innovation)	A non-fat ice-cream from Reliance Group may be a bit shocking to Indian consumers initially.	A well known brand name. Create a unique brand image & make fun of negative images.

Adapted from S. Ram and Jadish N. Sheth, "Consumer

Diffusion of Innovation

Based on the social norms, social systems can be classified as – traditional and modern. Traditional social systems, as the name suggests, are very conservative with high incidence of innovation resistance. Modern social systems, on the other hand, have a positive and modern outlook towards change, as they comprise people who have grown up in an era of great technological changes. People with a modern outlook usually have an inclination towards education and interact freely with people in other modern social systems, thus giving rise to a flow of ideas and information from one social system to another.

The identification of social hierarchy and communication network within a social system provides the marketer the basis for planning the introduction of the innovation in the social system. As free world trade is being emphasized, multinationals have received a great boost and now the marketer's target market segment is not necessarily restricted to consumers within one country. Some cross-cultural studies on diffusion of innovation²⁰ suggest that there is always a 'time lag effect' which influences the country where the innovation is introduced later, in a positive way. The later an innovation is introduced in a country (while it is already introduced in some other country), the faster will be the rate of adoption. The studies also suggest that clustering countries with similar cultural, economic, and social background is often beneficial for marketers.

Time

Time is an extremely important element of the diffusion process. Time has a bearing on – i) the adoption process, ii) innovativeness of the consumers, and iii) the innovation's rate of adoption. Table 12.3 shows the relevance of time in the diffusion of adoption.

Table 12. 3: The Relevance of Time in Diffusion of Innovation

Areas of Relevance	How Time Affects	Example
Adoption Process	The average time taken from initial awareness to adoption or rejection by a consumer.	Sneha and Anita are neighbors who have bought home-theater systems at different points of time. Both had seen the launch ad first in the newspaper on the same date. Sneha took 3 weeks to buy the model while Anita took 12 weeks. The whole time taken for adoption was different. The average time taken here is 7.5 weeks.
Consumer's Innovativeness	Based on time of adoption by a consumer, the adopters are classified from innovators to laggards.	If the industry categorization of adopters is time of purchase after the launch – innovators (8 weeks), early adopters (8-16 weeks), early majority (16-36 weeks), late majority (36-52 weeks), and laggards (over 52 weeks), then Sneha is an innovator while Anita is an early adopter.
Rate of Adoption	The speed with which an innovation spreads within the social system. The more the time taken, the slower the adoption, and vice-versa.	If the home theater system was adopted by the target market in 52 weeks, while the surround sound TV took 100 weeks, then we can say that the speed of adoption of home theater system is faster than that of surround sound TV.

Adapted from P. W. Turnbull and A. Meenaghan, "Diffusion of Innovation and Opinion Leadership," European Journal of Marketing, 14; Leon G. Schiffman and Leslie L. Kanuk, "Consumer Behavior," (Prentice Hall India, 7th edition), 424.

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Adoption process

The adoption process explains the consumer decision making process. It is the mental course the consumer takes from first knowledge of the innovation to its adoption or rejection. No universally accepted model on innovation adoption exists. Presumably, there are five stages in the adoption process – i) awareness, ii) interest, iii) evaluation, iv) trial, and v) adoption/rejection (Refer Table 12.4 for details).

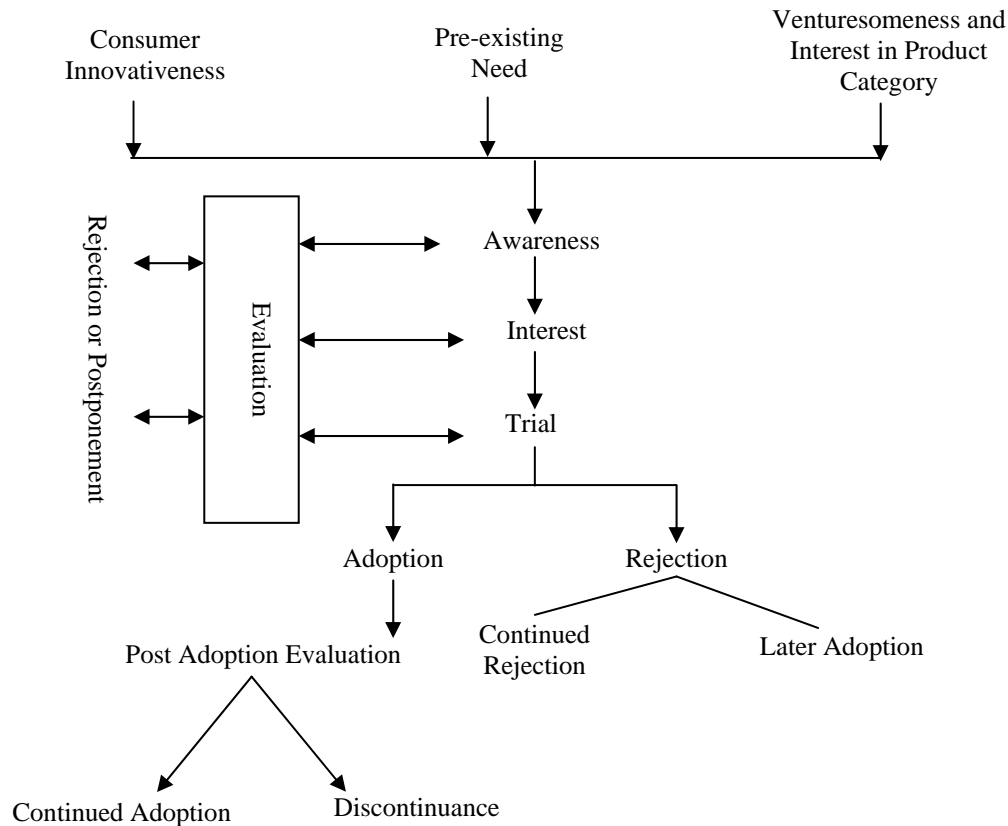
Table 12.4: Stages in Adoption Process

Stage	Description	Example
Awareness	Consumer gets to know about the new product	Rahul saw the ad of a new model of cell-phone in the newspaper.
Interest	Information search to know more about the product	Rahul talks to his friend Siddharth who is known for his cell-phone craze about this new model. Rahul goes to the dealer shop with Siddharth and talks to the salesperson about the features of the cell-phone.
Evaluation	Evaluates the pros and cons of buying the product	After getting to know more about the features of the cell-phone, Rahul and Siddharth evaluate how it is different from the cell-phone Rahul already has and whether it is worth buying.
Trial	Physically tries the product	Rahul puts his sim card in the new cell and tries to use it, and experiments with the features like camera, voice clarity, etc.
Adoption/ Rejection	If evaluation and trial gives rise to a positive attitude, consumer buys the product, or else rejects it.	Rahul finds the cell-phone provides value-for-money and so buys it.

Adapted from Leon G. Schiffman and Leslie L. Kanuk, "Consumer Behavior," (Prentice Hall India, 7th edition), 424.

The length of time taken by a consumer from first exposure to adoption is called the adoption or innovation-decision period. It is important to note that when there are a larger number of people who have an influence on the purchase decision, the adoption period is longer. Although the adoption process is one of the most popular models, researchers disagree on several points:

- Studies on the impact of ads on consumers reveal that with so much information available, consumers do selective listening, and they tend to be more receptive towards information about the products which they have an existing need for. The adoption process model discussed here does not acknowledge the presence of an existing need at the very onset of the process.
- It also assumes that rejection will happen only at the end of the process, while a consumer who does not have a need for the product may reject or postpone the adoption of the innovation at any stage.
- It also fails to analyze the effect of post-adoption evaluation of the innovation, which can impact the repeat purchase of the innovation.
- The adoption process finally ends in purchase or non-purchase of the innovation, which may be instantaneous in the case of, say, clothing and accessories, or may take several hours, days, or months, depending on the perceived value of the purchase decision for the consumer. In case the decision takes long, it is illogical to assume that there is no additional information sought and evaluated, between the innovation awareness and the purchase.
- Finally, trial is not always possible, although it is a major determinant in adoption process.

Figure 12.3: An Enhanced Model of Adoption Process

Adapted from Leon G. Schiffman and Leslie L. Kanuk, "Consumer Behavior," (Prentice Hall India, 7th edition), 425; Mohamad I. Nabih, Sjaak G. Bloem, and Theo B.C. Poiesz, "Conceptual Issues in the Study of Innovation Adoption Behavior," *Advances in Consumer Research*, Vol. 24, 1997.

Figure 12.3 presents an enhanced adoption process model taking into account the limitations of the earlier model.

An Enhanced Model of Adoption Process: An Explanation

In the enhanced model of adoption process, some prior conditions have been acknowledged before the awareness stage. These are consumer innovativeness (higher the consumer innovativeness, higher the chances of consumer awareness of innovations); pre-existing needs (consumers are more likely to be aware of an innovation which provides a solution to some immediate needs); and venturesomeness and interest in the product category (higher these attributes, higher the chances of lookout for new products information, and thus, awareness).

The innovation under evaluation by the consumer at every stage, given the continuous flow of information from impersonal and interpersonal channels, at each stage. Evaluation may lead to rejection or postponement (delaying the next stage), which can again be re-evaluated later. After trial, the innovation is again evaluated and is either adopted or rejected. Post-adoption evaluation leads to continued adoption or discontinuation of use, while post-rejection, consumer can either continue to reject the innovation or become an adopter later.

Source: ICMR Center for Management Research.

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Consumer's innovativeness

We had earlier discussed in the chapter, that an innovation is one only if the consumer perceives the product to be new. We also saw that some consumers might not have been aware of the product at all, while some other consumers might have already been aware of the product, and some others might have even purchased the product. The time at which an individual adopts an innovation (very early, very late etc.) depends on his or her degree of innovativeness. *Innovativeness* is “the degree to which an individual or adoption unit adopts a new idea as compared to other members of the system. So, some consumers are more innovative than others.”²¹

Based on the measure of consumer innovativeness, five adopter categories have been defined: i) innovators, ii) early adopters, iii) early majority, iv) late majority, and v) laggards. Table 12.5 further explains the generalized characteristics of all five categories of adopters. It is important to note that the evidence on behavioral descriptions and relative percentages is not conclusive.

Table 12. 5: Adopter Categories and their Description

Adopter Category	Dominant Characteristic	Behavior Description	Relevance to Marketers	Relative Percentage within the Population that Eventually Adopts
Innovators	Venturesome	These individuals are young, well-educated risk takers who are self-confident, sociable and have a positive attitude towards change.	High exposure to change agents and mass media Instrumental in legitimizing innovation Can provide marketer with future innovation ideas	2.5%
Early Adopters	Respected	This group of influential citizens and opinion leaders is first to adopt the new idea after its launch.	Seen as community leaders and advice givers. Targeting communication at them can affect rate of adoption Highly exposed to mass media and change agents	13.5%
Early Majority	Deliberate	Somewhat conservative about new ideas, they have above average status, income and education; maintain contacts with community leaders.	Their acceptance provide the critical mass for the innovation and considerably reduces perceived risk	34%
Late Majority	Skeptics	With average income and status, and under educated people generally won't adopt an innovation until it is legitimized by a majority; maintain less social contact	Highly influenced by interpersonal communication. Advice seekers	34%

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Laggards	Traditional	Either low on status, income and education, or due to age, they are extremely conservative and social isolates. Family and religion oriented.	Adopt proven products only Extremely brand loyal	16%
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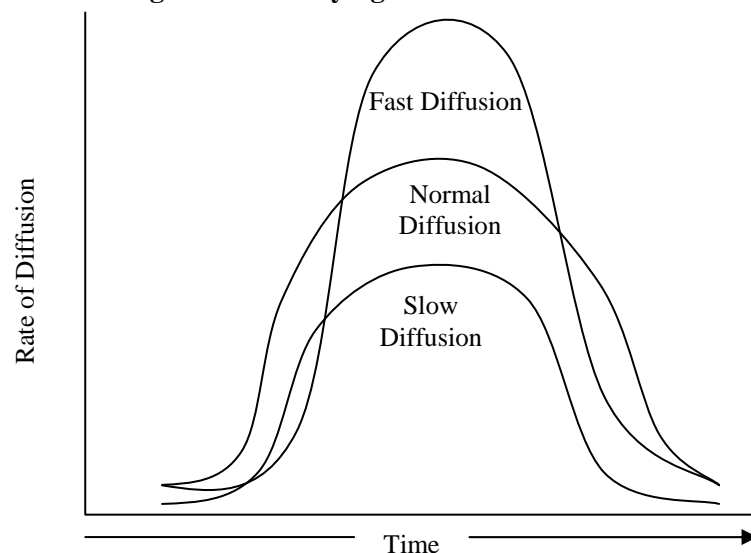
Adapted from P. W. Turnbull and A. Meenaghan, "Diffusion of Innovation and Opinion Leadership," *European Journal of Marketing*, 14; Leon G. Schiffman and Leslie L. Kanuk, "Consumer Behavior," (Prentice Hall India, 7th edition), 422.

Rate of adoption

The rate of adoption is the speed with which an innovation spreads within the social system (target market). The rate of adoption can vary (low, moderate, and high) with the type of innovation (discontinuous, dynamically continuous, and continuous innovations), and the product category (slow moving, moderately moving, and high moving). (Refer Figure 12.4 for varying rates of diffusion of innovation.) There is an inverse relationship between the rate of adoption and type of innovation, say a highly discontinuous innovation will tend to have a slower adoption rate and a longer adoption period, while a continuous innovation will tend to have a faster adoption rate and a shorter adoption period.

Given the current market volatility and innovation boom, the rate of adoption overall for all product categories is getting faster, leading to shorter adoption periods. This could be due to the higher level of education among the target population or an overall behavioral shift towards change. Another reason could be the increasing trend of psychological obsolescence, which means that even though the utility of product with the consumer is intact and it has many years of working life ahead, the launch of a new product diminishes the perceived utility of the already-purchased product. Psychological obsolescence is very high in fashion and lifestyle products, and also in technological products and gadgets.

Figure 12.4: Varying Rates of Diffusion of Innovation



Adapted from Del I. Hawkins, Roger J. Best, and Kenneth A. Coney, "Consumer Behavior, Building Marketing Strategy," (Tata McGraw-Hill, 2003), 250.

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The rate of adoption of a new product can also be influenced by price, use alternatives, and purpose of purchase. The consumers evaluate the value-for-money of the new product and then make a decision to purchase. But if the purpose of purchase is to stand out in the crowd, the value proposition changes as the consumer will pay more for the exclusivity of the product. Marketers, thus, adopt either of the two price strategies with respect to innovations – market skimming, or market penetration. In a market skimming strategy, the marketer introduces the product at a high price to generate maximum returns before the competition sets in. On the other hand, in a market penetration strategy, the marketer's focus is on speeding up the rate of adoption by reducing the price of the product. Given the forces of competition, the marketer tries to ensure that the innovation reaches as many consumers as possible and tries to establish his own product in the market in the process, before similar products flood the market price. Sometimes a marketer will deliberately opt for the market skimming strategy in order to attach a kind of aspirational value to the brand, but this decision requires extensive brand image building efforts, which itself is a costly affair. An example is the way in which the premium image of Bentley cars lets the company charge a huge premium. The high prices, in themselves, ensure exclusivity. A market penetration strategy, on the other hand, works well with manufacturers of networked innovations where numbers matter.

Some researchers believe that innovators and early adopters are always in search of exclusivity. Once an innovation is widely accepted, the innovators lose interest in the product and move on to the next product. Continuous innovation, thus, provides the innovators with a flow of new products at regular intervals. The related social perspective of innovation is discussed in Exhibit 12.2.

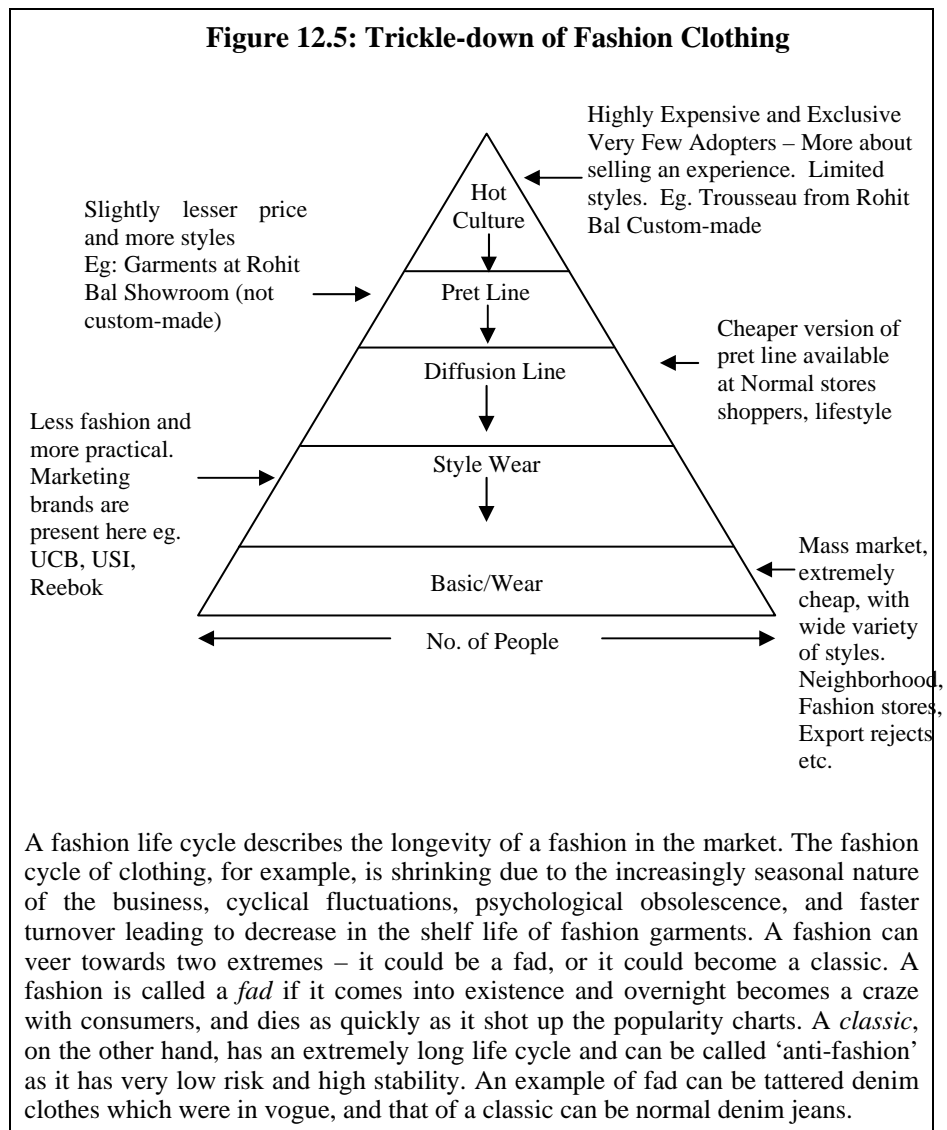
Exhibit 12. 2

Diffusion of Fashion and Trickle-Down Theory

Fashion as a social phenomenon has been defined as a behavior adopted by the members of a social system because it is thought to be appropriate at the given time and situation.²² It is a process of social diffusion of new products, processes, behavior or ideas, which affects all walks of cultural life, whether at the workplace or home. Fashion, with respect to clothing, refers to the prevalent styles or appearances, and such styles are said to be *in fashion*.

Although utility value is attached to each and every product, its symbolic meaning to the consumer affects its overall value. A *fashion system* thus includes all individuals and organizations, which create and transfer these meanings to cultural products. An important point to note is that the visibility or observability factor of the new product is extremely significant in the context of diffusion of fashion.

The diffusion of fashion, in social context, can be upward, downward, or across. Trickle-down (downward flow) means that once a new fashion product or style is adopted by the upper class of society, it becomes a must-have for each successive lower class and cheaper versions are adopted by each lower social level. Once the watered-down version of the product is adopted by lower classes, each preceding class moves on to a new fashion product and the cycle keeps on moving. Trickle-up or *the status float phenomenon*, means the street fashion - here, rural or lower class fashion has been glorified and adopted by the upper classes leading to upward flow of diffusion. An example is the adoption of traditional cholis²³ as a fashion statement by upper classes in India. Trickle-across refers to consumers at the same social level adopting a style (peer network). (Refer to Figure 12.5 for the trickle-down theory).

Figure 12.5: Trickle-down of Fashion Clothing

Adapted from Dana Thomas, Jenny Barchfield, and Marie Valla, “When High Fashion Meets Low,” *Newsweek*, 00289604, 12/20/2004, Vol. 144, Issue 25; Cristopher M. Miller, Sheby H. McIntyre, and Murali K. Mantrala, “Towards Formalizing Fashion Theory,” *Journal of Marketing Research*, Vol. XXX (May 1993), 142-57; Michael R. Solomon, “Consumer Behavior: Buying, Having, and Being,” (Pearson Prentice Hall, First Indian Reprint, 2004) 574-580; George A. Field, “The Status Float Phenomenon,” *Business Horizons*, Aug70, Vol. 13, Issue 4.

A PROFILE OF CONSUMER INNOVATOR

Extensive research has gone into understanding the consumer profile of the five adopter categories, especially, the innovators, who are perceived to be the key to success for an innovation. There is no universally accepted definition of consumer innovators. Consumer innovators are generally described as the individuals who are the first ones to adopt an innovation in a social system. There is no clear-cut

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distinction between consumer innovators and early adopters yet. Therefore, some researchers define innovators as the first 2.5 percent of the adopting population, while some other set of researchers believe them to be as significant as 10 percent of the adopting population. Yet another set of researchers define them as individuals who purchase the innovation during the introductory phase (first 3 months after launch). There is also a school of thought which defines consumer innovators as the individuals who have more creativity than the succeeding following adopter categories.

Consumer innovators are more interested in the product categories they are first to purchase, than any other adopter class. It means that the consumer innovator in one product category, may or may not be innovator in another product category. Consumer innovators seek information from the mass media and a variety of informal channels of communication regarding the product of their interest.

Innovator as an Opinion Leader and Change Leader

As we discussed earlier in the chapter, each social system has a structure which determines the direction of diffusion, while individual behavior determines the speed of adoption. The role of some key individuals within the social system significantly affects the rate of adoption. These individuals are often referred to as opinion leaders. Consumer innovators may not necessarily be opinion leaders. Some key attributes of opinion leaders are – innovativeness, willingness to share, self-confidence, socially active, having more media exposure. These characteristics are quite similar to those of consumer innovators which suggest that there is high likelihood of consumer innovators being opinion leaders.²⁴

Research has also identified a special category of opinion leaders, known as market mavens. These people keep themselves informed about a wide range of product categories, and unlike general opinion leaders, their influence extends beyond high involvement goods alone. Their knowledge about the products is not necessarily from usage experience but from their general knowledge. Their prime personality traits are – fashion-conscious, sociable, and self-confident.²⁵

In the role of opinion leaders, consumer innovators can be of great value to marketers of innovations. They will not only be having extreme interest and enthusiasm regarding the innovation, but also considerable influence over a large chunk of the population, which has direct affect on success or failure of the innovation. The consumer innovator as a market maven, on the other hand, can also be of great importance, not just in few categories of products but due to their greater general knowledge of the marketplace and products as a whole. (Refer Table 12.6 for comparative profiles of consumer innovators and non-innovators).

Table 12. 6: Comparative Profiles of Non-Innovators and Innovators

Characteristic		Non-Innovators	Consumer Innovator
Innovativeness		Less	More
Product Interest/ Involvement		Less	More (can be less in the case of market mavens)
Brand Loyalty		More	Less
Product		Less	More

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Knowledge			(Very high in the case of market mavens)
General Market Knowledge		Less	Less (Less in the case of opinion leaders and high in the case of market mavens)
Use Experience		Less	More (Can be less in the case of market mavens)
Personality			
	Need for Novelty	Less	More
	Need for Variety	Less	More
	Perceived Risk	High	Low
	Attitude towards Change	Negative	Positive
	Need for Simulation	Less	More
	Venturesomeness	Less	More
Demographic Profile			
	Age	Older	Younger
	Income	Less	More
	Education	Less	More
	Occupational Status	Lower	Higher
Social Profile			
	Social Status	Lower	Higher
	Social Mobility	Less	More
	Group Membership	Less	More
	Influence on others	Less	More (High in the case of opinion leader and very high in the case of market mavens)
Media Habits			
	Exposure to mass media	More	Less (Can be more in case of market maven)
	Exposure to Product Related Magazines	Less	More

Adapted from Bruce MacEvoy, "Change Leaders And The New Media," *American Demographics*, Jan94, Vol. 16, Issue 1; Lawrence F. Feick and Linda L. Price, "The Market Maven: A Diffuser of Marketplace Information," *Journal of Marketing*, Vol. 51 (January 1987), 83-97; Klaus-Peter Wiedmann, Gianfranco Walsh, and Vincent-Wayne Mitchell, "The Mannmaven: an agent for diffusing market information," *Journal of Marketing Communications*, Dec2001, Vol. 7 Issue 4; Leon G. Schiffman and Leslie L. Kanuk, "Consumer Behavior," (Prentice Hall India, 7th edition), 431.

SUMMARY

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

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

A social system is a social environment in which consumers with similar beliefs co-exist. A social system has a social hierarchy and a communication network which decide the flow and speed of adoption through the social system.

Time is the factor which connects the adoption process, the consumers' innovativeness, and the rate of adoption. The adoption process consists of five stages of consumer decision making – awareness, interest, evaluation, trial, and adoption/rejection. The longer the process and larger the number of decision makers, the longer the time taken to adopt. The innovativeness of the consumer depends on the adoption stage at which he/she is, as compared to other consumers. Based on these criteria, consumers have been classified as innovators, early adopters, early majority, late majority, and laggards. The rate of adoption is the speed with which the innovation is being adopted by consumers. It can be slow, moderate, or fast.

Consumer innovators are identified on the basis of time elapsed after the launch or as a specific percentage of people out of total purchasers who buy early. Consumer innovators are venturesome, young, highly educated, high status and income individuals, who have an interest in new products and seek variety in life. They have low risk perception and have a positive attitude towards change. They are very sociable and in the role of opinion leaders and market mavens, they can be quite influential.

End Notes:

¹ <www.3m.com.>

² Rogers, Everett M. "Diffusion of Innovations: Glossary of Terms."
<<http://mstm.gmu.edu/mstm720/Articles/DifussionOfInnovationsGlossary.html>>

³ Rogers, Everett M. "Diffusion of Innovations: Glossary of Terms,"
<<http://mstm.gmu.edu/mstm720/Articles/DifussionOfInnovationsGlossary.html>>

⁴ For the sake of convenience, product will mean product and services, throughout the chapter except where emphasis is needed.

⁵ Kambil, Ajit. "Good Ideas are not Enough: Adding Execution Muscles to Innovation Engines." 27th Dec. 2004 <www.accenture.com/xdoc/en/ideas/innovation/inno_good_ideas.pdf>

⁶ Devarajan, R. "The Mystique of Marketing." <www.thehindubusinessline.com>, The Hindu Group, 28th Dec. 2004,
<<http://www.blonnet.com/2004/02/13/stories/2004021300130900.htm>>

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- ⁷ Hawkins, Del I.; Best, Roger J. & Coney, Kenneth A. *Consumer Behavior, Building Marketing Strategy*. Tata McGraw-Hill, 2003, 249-251.
 - ⁸ Ram, S. "A model of Innovation Resistance." *Advances in Consumer Research*. Vol. 14, Issue 1, 1987.
 - ⁹ Shor, Rita "Managed Innovation: 3M's Latest Model For New Products," *Manufacturing News*, Volume 7, Number 11 28th Dec. 2004, <www.manufacturingnews.com/news/editorials/shor.html>
 - ¹⁰ Drucker, Peter F. "The discipline of innovation." *Harvard Business Review*. May-June 1985, 67-72.
 - ¹¹ Ram, S. & Sheth, Jadish N. "Consumer Resistance to Innovations: The Marketing Problems and Its Solutions." *The Journal of Consumer Marketing*. Vol. 6, No. 2, Spring 1989, 5-14.
 - ¹² Compressed Natural Gas (CNG) is an environment friendly fuel. It was first launched in New Delhi in 2001.
 - ¹³ New Delhi is the national capital of India.
 - ¹⁴ Lycra(R) is a branded fiber, innovated by Invista, one of the top companies in fiber, resins, and intermediates. <<http://www.lycra.com/>> and <<http://www.invista.com/>>
 - ¹⁵ "LYCRA MTV Style Awards salutes Rekha as 'Maha Style Icon' for 2004" <<http://www.indiaainfoline.com/bize/lymt.html>> 2nd Jan. 2005.
 - ¹⁶ Walker, Chip. "Word of Mouth." *American Demographics*. Vol. 17, Issue 7, Jul 95.
 - ¹⁷ Herbig, Paul A. & Kramer, Hugh. "The Effect of Information Overload on the Innovation Choice Process: Innovation Overload." *Journal of Consumer Marketing*. Vol. 11, Issue 2, 1994.
 - ¹⁸ Rogers, Everett M. "Diffusion of Innovations: GLOSSARY OF TERMS." 24th Dec. 2004. <[http://mstm.gmu.edu/mstm720/Articles/Difussion of InnovationsGlossary.html](http://mstm.gmu.edu/mstm720/Articles/Difussion%20of%20InnovationsGlossary.html)>
 - ¹⁹ "The Diffusion of Innovations: An Executive Summary." <www.comsort.com/isexec.pdf>, 28th Dec. 2004.
 - ²⁰ Kumar, V.; Ganesh, Jaishankar & Echambadi, Raj. "Cross-National Diffusion Research: What Do We Know and How Certain Are We?." 24th Dec, 2004, <<http://www.bus.ucf.edu/echambadi/Review/jpim.pdf>>
 - ²¹ Rogers, Everett M., " Diffusion of Innovations: Glossary of Terms, 24th Dec. 2004 <<http://mstm.gmu.edu/mstm720/Articles/DifussionOfInnovationsGlossary.html>>
 - ²² Miller, Cristopher M.; McIntyre, Sheby H. & Mantrala, Murali K. "Towards Formalizing Fashion Theory." *Journal of Marketing Research*. Vol. XXX May 1993, 1p42-57.
 - ²³ Cholis are the part of attire worn by rural Gujarati and Rajasthani women in India.
 - ²⁴ Turnbull, P. W. & Meenaghan, A. "Diffusion of Innovation and Opinion Leadership." *European Journal of Marketing*.
 - ²⁵ Feick, Lawrence F. & Price, Linda L. "The Market Maven: A Diffuser of Marketplace Information." *Journal of Marketing*. Vol. 51, Jan1987, p83-97.

Chapter 13

Consumer Decision-making

In this chapter we will discuss:

- Defining Consumer Decisions
- Consumers as Decision Makers
- Consumer Decision-making Process
- Models of Consumer Decision-making

Consumer Decision-making

In the 1990s, P&G undertook a research to identify the problems consumers faced in taking care of their clothes. One of the problems identified was that of looking after 'dry-clean only' garments at home. Susan Crumpler, manager, P&G's research and development, explained, "While conducting our research, we talked with many consumers who said they felt guilty about taking short cuts when it came to caring for the 'dry-clean-only' garments. Time and again, we heard consumers say they want clothes that look and feel great but aren't hard to care for."¹ Research also indicated that over 80% of the consumers who used 'dry-clean only clothes' wore them at least five times between each dry-cleaning. About 50% of these consumers washed their clothes at home instead of giving it for dry-cleaning.

Illustration 13.1: P&G's Dry-cleaning Product



Source: www.dryel.com

Based on the findings of the research, P&G developed a new product exclusively for washing 'dry-clean only' garments. It called the product 'Dryel'. In June 1999, when Dryel was launched, P&G positioned it as a 'system to care for dry-clean only clothes between dry-cleanings'.²

The above example illustrates how P&G successfully identified a consumer need or problem. Based on this identification, it developed and marketed a solution - their new product, Dryel. In this chapter, we will discuss the process of consumer decision making, which includes problem recognition, information search, evaluation of alternatives, and purchase decision. Actual purchase and post-purchase behavior will be discussed in chapters 14 & 15. We will also discuss consumers as decision makers and problem solvers. Some important consumer decision making models will also be explained briefly.

DEFINING CONSUMER DECISIONS

Consumers make decisions on a regular basis. A decision is simply making a choice. These choices can be regarding various brands, products, stores, etc. Sometimes, the consumer doesn't get to make a choice as there is only one option available, so one has to choose that only. An example is MTNL, the government owned telephone service provider which had a monopoly position in the market before competition was allowed in this sector. Purchase decisions taken in such single product scenario are known as 'Hobson's choice.'

CONSUMERS AS DECISION MAKERS

Researchers have differing views with respect to consumers as decision makers. The economic view rests on a purely theoretical assumption that consumers are rational decision makers. It is often criticized for being unrealistic as consumer decisions depend on their market knowledge (products, brands, stores, prices, attributes, etc.), their habits, values, and many other social and cultural factors. A study to get insights on the haggling behavior of the consumers revealed that there are many non-economic factors like the need for achievement, affiliation, and dominance, apart from prices, which drive consumers to haggling.³

Another popular view is that consumers are passive decision makers and they are not much involved in pre-purchase information search and evaluation. It also holds that consumers are impulsive and irrational decision makers and are easily influenced by marketing activities like promotional offers and freebies.

Some consumer researchers view consumers as cognitive or thinking decision makers who actively seek pre-purchase information, evaluate options, and then reach a certain decision. This view also holds that in this era of information overload, consumers will not try to obtain all the information for each and every decision and would rather stop looking for more information if they feel that they have sufficient information to make a 'satisfactory decision.' The cognitive view thus is a middle path between the economic view and the passive view of consumers as decision makers.

An important aspect of consumer decision making has been ignored in the above views of the consumer; this is the role of emotions and moods in consumer decision making. Emotions like fear, success, achievement, love, etc., often influence one's purchase decisions. People often have great emotional attachment to certain brands and products. For someone who has always cherished a Parker pen, any other pen won't do.

Consumer moods also influence decision making. Study of consumer moods and their effects on decision making can be particularly important for service encounters, point-of-purchase stimuli, context and content of marketing communication.⁴ Store image can also impact the mood of the consumers and affect (influence) decision making. The store ambience can either please and lift the spirits of the consumers, or it can displease them and spoil their mood. A store with soothing music, appealing display, lively colors, for example, can lift the consumers' spirits and can influence time and money spent in the store, number of items purchased, and revisit intentions of consumers.⁵

Types of Consumer Decisions

Consumer decisions may be very simple, say, the regular purchase of Britannia wheat bread, or may be difficult, say, buying one's wedding dress. There are three types of consumer decision making – habitual decision making, limited decision making, and extended decision making. Before going into the details of these three types of consumer decisions, it is important to differentiate between product involvement and purchase involvement. Product involvement is the long-term interest of consumers in a product or brand. An individual with a high interest in photography, for example, will be a keen follower of all kinds of photography equipment. Such a person will have high product involvement, say, for Nikon cameras. Purchase involvement, on the other hand, is a temporary interest in the product to be purchased, triggered by the need for the product. An individual who felt the need to buy a car, for example, is likely to have high purchase involvement and not product involvement, as he is not interested in cars in general but his interest is triggered by his current need, and is likely to remain till he makes the purchase. So he will browse through all the models of the brands available in his preferred price segment; will visit couple of car dealers; will watch television programmes on cars; etc.

Habitual decision making

Habitual decision making, also referred to as nominal decision making, usually occurs when there is low purchase involvement, say in case of the toothpaste, brush, cold drink, fruit juice, bread, etc., - items that one purchases regularly. In habitual decision making process, the consumer does not even consider the other alternatives available and decision making occurs with the help of internal information search from memory and past experiences. Habitual decisions can be segregated as – brand loyal and repeat purchases.

A *brand loyal decision* occurs after a lot of trial and error with various alternatives. From all those alternatives, consumer chooses one brand which meets all his needs and then sticks to it. A *repeat purchase decision* occurs when the consumer believes that all brands in one product category are same and then tries any one brand and finds it satisfactory and then repeatedly purchases it without trying any other brand.

Limited decision making

In a limited decision making process, the consumer evaluates limited alternatives, and makes a choice based more on internal information search and some external information search (product attributes, discounts, etc.).

It is important to note that external information search is done, keeping in mind a certain basic criteria, like price range, brands, etc. Some important sources of external information are friends, one's social circle, mass media, point of purchase sources, and inspection and trial. The Internet has emerged as an important external source of information. Research shows that people who search for product and brand information online are more likely to also buy online as compared to people who do not search online.⁶

The consumer often follows certain standard decision rules (e.g. always buying the cheapest product, or always buying the best quality), which also helps in less evaluation of alternatives. Refer Exhibit 13.1 for details on various types of decision rules.

Exhibit 13.1

Decision Rules

Decision rules are the aids which help consumers to make easy brand choices. There are five types of decision rules that are commonly used by consumers in making brand choice – conjunctive, disjunctive, elimination-by-aspects, lexicographic, and compensatory. Consumers can employ one or more decision rules, say apply one rule to shortlist some brands and then apply another to make the final choice.

Conjunctive decision rule: In this decision rule, consumers set some minimum performance standards, as required by them. All the brands meeting these minimum standards are selected for further consideration. This decision rule, thus, reduces the number of brands for further consideration, thereby saving considerable time and effort of consumers. Note that the consumers might also buy the very first brand which meets these standards, which is especially true in case of low-involvement purchases. In such products, in-store visibility is important.

Disjunctive Decision Rule: In this decision rule, consumers set some very high performance standard based on certain important product attributes. In case the brand's target market uses this decision rule to make a choice, the marketers must focus on associating their brands with at least one such attribute. The brand's relation with this attribute should be well emphasized at every consumer and brand interaction point, say mass media, point of purchase displays, message of the product package, etc.

Consumer Behavior

Elimination-by-Aspects Decision Rule: In this decision rule, the consumers rank the evaluative criteria on the basis of their importance, say price as 1, quality as 2, and warranty as 3. Certain cut-off points are then assigned for each of these criteria, say price as 5, quality as 3, and warranty as 3. Each brand is first considered against the most important evaluation criteria (price) and brands which fail to meet the set cut-off points are eliminated. In case, two or more brands meet the cut-off points for the first evaluation criterion, they are considered against the second most important criterion. Marketers should, thus, try to meet important product attributes and should also try to give something more than the nearest competitor.

Lexographic Decision Rule: In this decision rule, the consumers rank the important product evaluation criteria and first consider each brand's maximum performance against the most important criteria. The logic is that brands will outperform each other and the consumer will choose the best brand in all aspects. If target consumers use this decision rule, the marketers should try to make their brand better than the nearest competition on the important attributes.

Compensatory Decision Rule: In this rule, the basic understanding is that good performance in one important attribute can make up for poor performance in another product attribute. Therefore, in this decision rule, the consumers derive the average overall performance of each brand and the one which reaches the highest level is chosen. If the target market uses this decision rule, the marketers should try to match the competition, if not better it, in the important evaluative criteria.

Adapted from Del I. Hawkins, Roger J. Best, and Kenneth A. Coney, "Consumer Behavior, Building Marketing Strategy," (Tata McGraw-Hill, 2003), 570-578

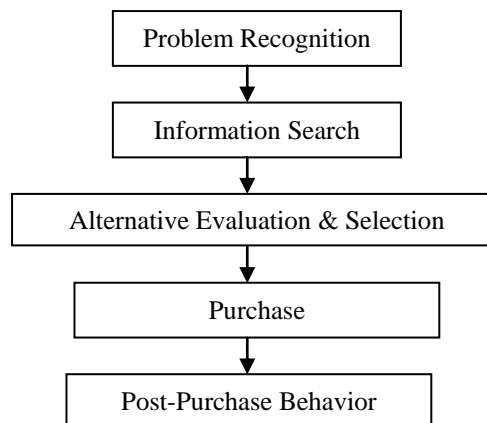
Extended decision making

In extended decision making process, consumers evaluate a large number of alternatives after conducting an extensive information search from both internal (from memory and past experiences) and external sources. Due to the large number of alternatives to choose from and overall high purchase involvement, this kind of decision making is considered to be quite complex and generally associated with high product involvement, like real estate, electronic gadgets, and vacations.

CONSUMER DECISION-MAKING PROCESS

There are three phases in the consumer decision making process (Refer Figure 13.1) – problem recognition, information search, and alternatives evaluation and selection.

Figure 13.1: Consumer Decision Making Process



Adapted from Del I. Hawkins, Roger J. Best, and Kenneth A. Coney, "Consumer Behavior, Building Marketing Strategy," Tata McGraw-Hill, 2003, 502.

Problem Recognition

Problem recognition is the first phase of the consumer decision making process. A problem can be easily recognized (hunger and thirst) or unrecognized (weight loss or other medical problems), planned (replenish weekly supplies) or unplanned (repair of computer due to a virus attack). The process of problem recognition is initiated with identification of a gap in the actual state (degree to which a perceived need is being met) and the ideal or desired state (the ideal way the consumers want that need to be met). A man, for example, is bored and feels that a movie will be good entertainment. In this example, the actual state of the man is that he is getting bored and his desired state is to be entertained. Thus, he makes a decision to consume/watch a movie.

The consumers' actual and desired states are not absolute states of existence. They are based on consumers' perceptions of what their actual state is and where they want to be. The desired state of consumers keeps changing with shifts in their standard of comparisons or benchmarks⁷ with which they compare their desired state. It thus, leads to a feeling of dissatisfaction and they try to reach the desired state. A girl having gold jewellery (actual state), for example, may want platinum jewellery (desired state). After acquiring a desirable amount of platinum jewellery (changed actual state), she may want diamond jewellery (changed desired state).

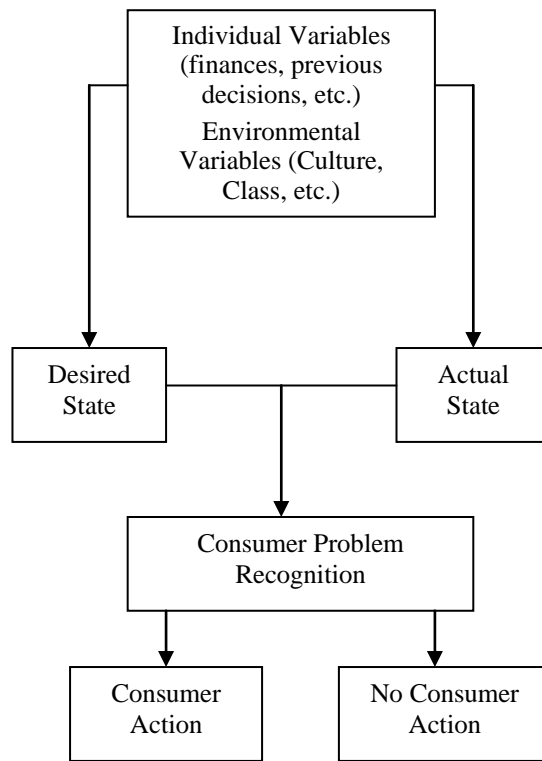
Sometimes, the perceived need of consumers is easily satisfied with any product in a particular product category (generic problem recognition), say, a consumer might not differentiate between various bathing soaps in the market and perceives that all satisfy his/her perceived need of personal hygiene. At other times, the perceived need of consumers can be satisfied with a particular brand only (specific problem recognition), say, another consumer who believes his need for personal hygiene can be best met with Dettol soap only.⁸

The consumers' desire to solve a particular problem depends on – the extent of the gap between the actual and desired state, and the relative importance of the problem compared to other problems. If the extent of the gap between the actual and desired state is high, the level of dissatisfaction will increase, thus motivating consumers to resolve the problem. Also, if the relative importance of the problem is more compared to other problems, the consumers will be more inclined to resolve it at the earliest. (Refer Figure 13.2 for the consumer problem recognition process).

Determinants of problem recognition

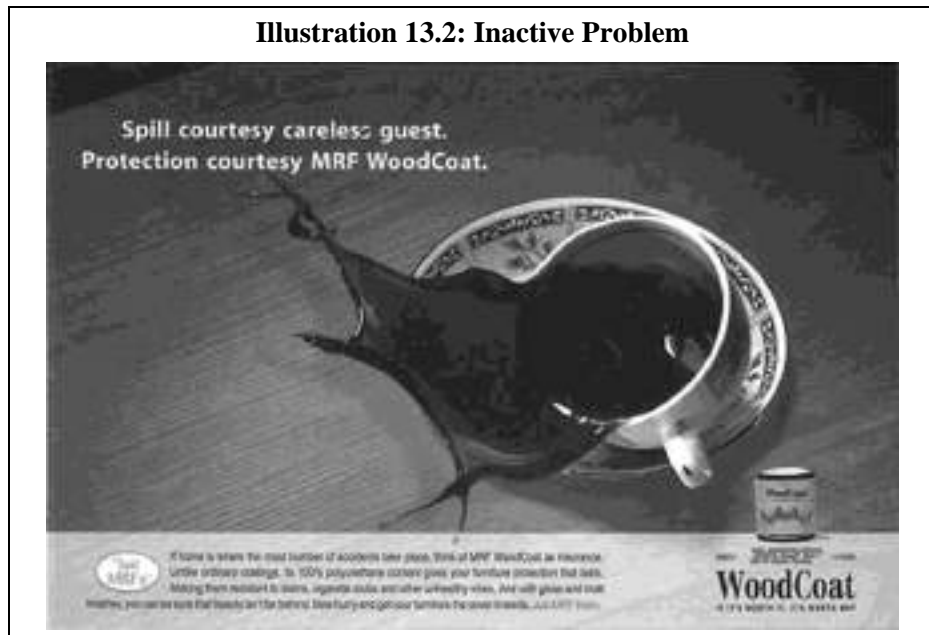
Consumers in the present may either be aware or unaware of a problem. Sometimes, consumers may not be aware of the problem in the present but will be aware of it in the normal course of events. Thus, a consumer problem may either be active (aware or will become aware in normal course of events) or inactive (unaware). In the picture below, the MRF wood coat advertisement stresses the need to handle unforeseen circumstances (inactive problems), thus, trying to make the target market aware of a possible loss due to such situations. The ad says that MRF wood coat is the best product to have by one's side at such times.

Figure 13.2: The Consumer Problem Recognition Process



Adapted from Problem Recognition: The Crucial First Stage of the Consumer Decision Process. By: Bruner II, Gordon C.; Pomazal, Richard J., Journal of Services Marketing, Summer88, Vol. 2 Issue 3.

Illustration 13.2: Inactive Problem



Source: MRF WoodCoat.

Consumer Decision-making

There are non-marketing (not controlled by marketers) and marketing (controlled by marketers) determinants of problem recognition. Let's discuss each in detail.

Non-Marketing

There are many non-marketing factors which affect the actual and desired state of the consumers – the lifecycle stage in which a family is; demographics like age, sex, geographical region; consumers' past decisions; and consumers' individual skills.

A family of four would need a car to travel more comfortably; an old person will feel the need for medicines and food supplements; people living in cold places need warm clothes; a middle-class family's past decision to go on an expensive vacation will affect their current financial position; and an amateur photographer's needs will differ from those of a professional photographer, say for training and equipment.

Marketing

Marketing efforts are controlled by marketers and play a key role in problem recognition. There are four relevant issues faced by marketers in this regard – to identify the problems consumers are facing; to formulate the perfect marketing mix to solve consumers' problems; to aid consumers' in recognizing problems; and to suppress problem recognition.

Identifying Consumer Problems

Marketers usually try to identify consumer problems, either just by intuition or through consumer research. The main pitfall of working with intuition is that the problem may be of less importance to a majority of consumers. Consumer research, on the other hand, is a more reliable tool to identify consumers' problems. Usually, the focus of consumer research (through focus groups, surveys, etc) is to find out the active and inactive problems of the consumers. Consumer research is, thus, used for:

- *Activity analysis:* This kind of analysis is done to study the problems faced by consumers while performing certain tasks, say cooking, cleaning, maintaining the garden, daily hair care, etc. The focus here is on understanding the consumers' problems vis-à-vis these activities.
- *Product Analysis:* In this kind of analysis, the focus is on a particular product or brand. For example, many Indian consumers found a microwave oven difficult to use and was perceived only as a heating device. LG Electronics India Pvt. Ltd. (LGEIL) identified this consumer problem and undertook a direct marketing initiative with a focus on home demonstrations. The company also identified another consumer problem which was regional in nature. Consumers in various parts of India had different preferences regarding the capacity of the oven. This led the company to launch different models of microwave ovens with different capacities for separate regional markets.⁹
- *Problem Analysis:* In this method, various problems are stated and respondents are asked to state the activities, products, or brands they associate with the problem. A problem analysis for courier services, for example, can include the following:
 - _____ are never on time.
 - Repeated courier queries are hardly answered by _____
 - Very often torn packets are delivered by _____
 - _____ is/are not value-for-money.

Some other popular analyses to identify consumers' problems are human factor research (effect of lighting, temperature, and sound on human capabilities, like vision, fitness, etc.) and emotion research (relationship between products and their impact on human emotions).

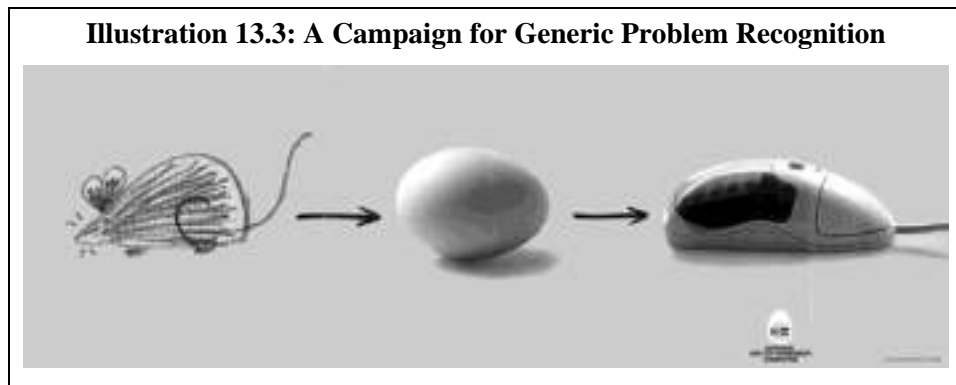
Consumer Behavior

Acting on consumer problems

When marketers are aware of the consumers' problems, they can use this knowledge to either modify their existing offerings or to develop a completely new product. ATMs, credit cards, and online shopping are all examples of new technologies being adapted to meet consumers' needs better and solve their problems more effectively.

Help consumer recognize problems

Marketers often attempt to make consumers recognize their problems, especially in case of inactive problems. Marketers usually focus on generic problem recognition if their product enjoys a market monopoly or if the market for the product is small compared to the adoption potential. Government bodies also actively use various campaigns to bring various issues to consumers' attention and cause problem recognition.



Source: www.agencyfaqs.com

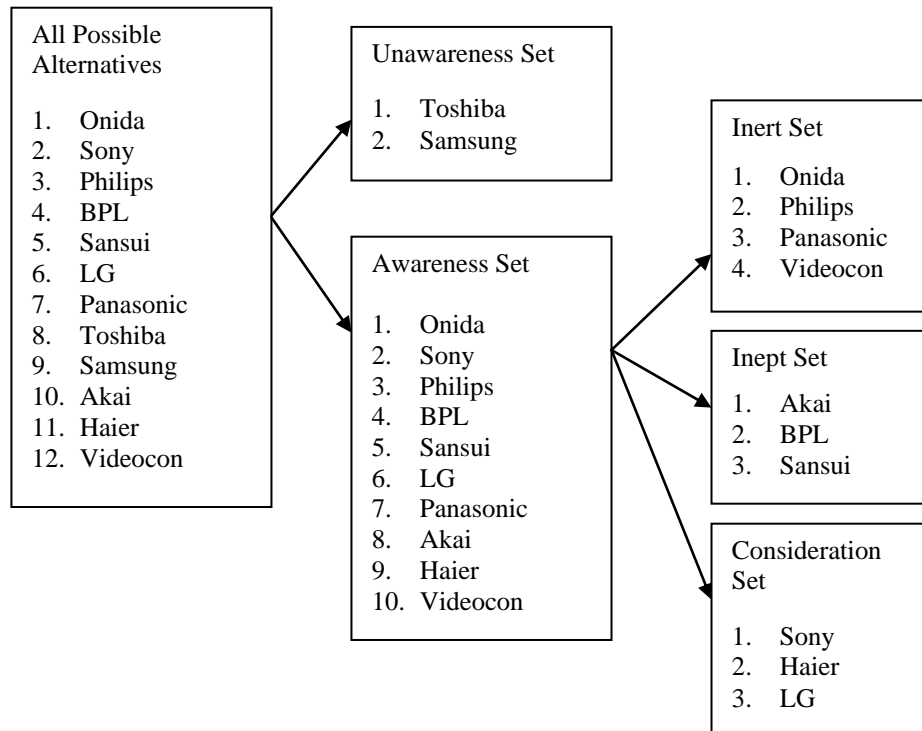
Marketers very often engage in promoting their brands through selective problem recognition. This can be done by influencing the consumers' perception of their actual or desired state.

Suppressing Problem Recognition

In some scenarios, marketers try to downplay the ill effects of their product by not giving proper information, thereby suppressing the problem recognition by the consumers. This is particularly true in case of tobacco and alcohol marketers. Cigarette marketers, however, have to put a statutory warning on product packets while alcohol cannot be promoted in India.

Information Search

Earlier in the chapter, we discussed various types of consumer decision making and the internal and external information which they refer to, while making these decisions. Consumers initially go through their internal information resources and try to identify if such a problem occurred earlier and if it had occurred, how they had solved it. If the internal information is not sufficient to solve the problem, the consumers search external information sources for a possible solution. A person, whose car has broken down, will first search from his memory and past experience (what he did last time it happened? Is it the same problem? Which service station to go to for repair?) If internal information search doesn't yield any solutions, only then he will look for external sources of information (say, yellow pages, or internet, or friends).

Figure 13.3: An Example of Evaluation of Alternatives

Adapted from Del I. Hawkins, Roger J. Best, and Kenneth A. Coney, "Consumer Behavior, Building Marketing Strategy," Tata McGraw-Hill, 2003, 528.

Types of Information Sought

Consumer decision making involves seeking information on three important aspects of product – evaluation criteria, alternatives available, and attributes of each alternative (Refer Figure 13.3).

Appropriate evaluation criteria are important to identify the possible solutions. For example, Srinivas who wants to buy a new TV set will search both internal and external information sources to set down certain criteria to identify the brands which will meet the need. In this process, Srinivas becomes aware of 10 TV brands– Onida, Sony, Philips, BPL, Sansui, LG, Panasonic, Akai, Haier, and Videocon. All these 10 TV brands, together, form his *awareness set*.

After setting a certain evaluative criteria, say quality and performance, Srinivas reviews all these brands. He remembers that Akai, BPL, and Sansui gave some problems to his relatives who have these brands. He thus excludes these three brands from his list of possible alternatives. These three brands together form his *inept set*, i.e., brands he actively dislikes or avoids. He finally shortlists three brands (Sony, Haier, and LG) for further investigation. These three brands together form his *consideration set*, i.e., the brands he will investigate to reach a final decision. All the other brands (Onida, Philips, Panasonic, and Videocon) form his *inert set*, i.e., the brands he is indifferent to but might consider as backup options in case the brands in his consideration set are unavailable.

Consumer Behavior

It is important to note that the alternatives can either belong to the same or to an altogether different product category. A thirsty man, for example, can consider the following alternatives as possible alternatives (awareness set) to quench his thirst:

- Juice (Tropicana, Frooti, Real, Xm, Onjus)
- Flavored milk and curd (N-Joy, Jersey, Britannia)
- Water (Bisleri, Aquafina, Kinley)
- Tea/Coffee (Nestea, Nescafe, Georgia, Bru)
- Soft Drinks (Coca-Cola, Pepsi, ThumsUp, Sprite, Slice, Mazaa, Mirinda)
- Beer (Royal Challenge, Kingfisher, Haywards)

Also note that the consideration set will differ based on the consumption situation. Say, if this thirsty man is walking down the road on a hot summer afternoon, he might feel like having a cold bottle of water or soft drink. On the other hand, if this same man happens to feel thirsty in an air-conditioned restaurant, he might feel like having plain water or some tea or coffee.¹⁰

Determinants of Information Search

There are four primary determinants of external information search –

1. Market characteristics (number of alternative products and brands; price range; number of stores offering these alternatives and their location; and availability of information through various external information sources);
2. Product characteristics (various product attributes, say fragrance, shape of bottle, longevity of fragrance on skin, and price can be some of the important characteristics considered while purchasing a perfume);
3. Consumer characteristics (level of market, store, product, and brand knowledge; personal experience; social status; family lifecycle stage and all other demographic variables like age, geographical region, etc.); and
4. Situation characteristics (normal consumption, gifting to self or others, special occasions, etc.). Refer Exhibit 13.2. For more on consumer gifting behavior.

All these factors together determine the extent of the external information search. An infrequently purchased product (say, a house) with a high price and long life will entail a considerable amount of external search for a first time buyer. On the other hand, a person who frequently invests in residential property to make a profit out of resale may not indulge in too much external information.

Exhibit 13.2

Consumer Gifting Behavior

Gifts have been defined as “a good or service (including the giver’s time, activities, and ideas) voluntarily provided to another person or group through some sort of ritual presentation.”

There are two gift giving models based on the widely accepted principle that gift giving is done with an expectation of some return. One model views gift giving as an economic exchange having some utility for the receiver, while the other model views gifts giving as a social exchange which has some symbolic meaning.

The gift giving process has four stages – motivation to buy a gift, selection of an appropriate gift, exchange of the gift, and recipient's response to the gift by the giver.

Research has indicated that there are five gift giving roles:

- Pleasers: In this role, the giver selects a gift to please the receiver, who usually is a special person for the giver. The selection of gift is done on the basis of recipient's tastes and preferences.
- Providers: In this role, the giver selects gifts on the basis of recipient's needs and requirements. The focus here is on practical and utility items.
- Compensator: This role is a combination of both pleasers and providers. In this role, the giver gifts to compensate some personal or emotional loss borne by the receiver. The loss may or may not be caused by the giver.
- Socializer: In this role, the giver gifts something which he/she feels will provide some learning or knowledge to the receiver. The main aim of the gift is socialization (see Chapter 9, Family influences).
- Acknowledger: In this role, the giver gifts the recipient due to some obligation. The receiver can very well be a distant relative or a formal friend.

Apart of gifting to others, people like gifting to themselves to feel positive, to celebrate, and/or to just appreciate themselves. Self-gifts are "personally symbolic self-communication through special indulgences that tend to be premeditated and highly context bound." A gift, in this context, can include all kinds of products, services, or experiences. A consumer might just buy a triple sundae ice-cream as a self-gift to motivate himself or just to raise his spirits.

Adapted from Russell W. Belk and Gregory S. Coon, "Gift Giving As Agapic Love: An Alternative to the Exchange Paradigm Based on Dating...", Journal of Consumer Research, Dec93, Vol. 20 Issue 3; Constance Hill and Celia T. Romm, "The Role of Mothers as Gift Givers: A Comparison across Three Cultures," Advances in Consumer Research, 1996, Vol. 23 Issue 1; Cele Otnes and Tina M. Lowrey, "Gift Selection For Easy And Difficult Recipients: A Social Roles Interpretation," Journal of Consumer Research, Sep93, Vol. 20 Issue 2; Kim K.R. McKeage and Marsha L. Richins, "Self-Gifts and the Manifestation of Material Values," Advances in Consumer Research, 1993, Vol. 20 Issue 1.

Marketing strategy and information search

Marketers adopt various strategies to make their brand figure somewhere in the consideration set of a majority of consumers. Marketers who are already in the consideration set of the consumers adopt another set of marketing strategies to influence consumers to buy their respective brands. Refer Table 13.1 for strategies adopted by marketers based on the position of their brands, i.e., if their brands are in the consumers' consideration set or outside it.

Alternative Evaluation and Selection

In the previous sections we discussed how consumers first recognize a problem or face a problem, and then to solve this problem, how they search for information. On the basis of this information, they shortlist various alternatives for final purchase.

There are three types of consumers' choice processes – affective choice, attitude-based choice, and attribute-based choice.

Table 13.1: Strategies Adopted by Marketers

Brand Position	Habitual Decision Making	Limited Decision Making	Extended Decision Making
Inside Consideration Set	Maintenance Strategy	Capture Strategy	Preference Strategy
	<ul style="list-style-type: none"> • Maintain consumers' habitual decision making behavior • Consistent quality and distribution • Reinforcement advertising • Short-term market promotions • Constant product development 	<ul style="list-style-type: none"> • Focus on supplying brand information • Consistent quality and distribution • Point-of-purchase messages and visibility in store is important 	<ul style="list-style-type: none"> • Focus on strong brand positioning and association with relevant product attributes • Using opinion leaders to spread positive word-of-mouth • Motivated sales people • Other important tools – point-of-purchase messages, active website
Outside Consideration Set	Disrupt Strategy	Intercept Strategy	Acceptance Strategy
	<ul style="list-style-type: none"> • Focus on breaking consumers' habitual decision making behavior • Short-term strategy – attractive market promotions, appealing packaging, comparative advertising, point-of-purchase messages. • Long-term strategy – significant product improvement, attention grabbing ads. 	<ul style="list-style-type: none"> • Focus on grabbing consumer attention • Important tools – local media, point-of-purchase messages, website, free samples, high visibility in store • Constant product improvement 	<ul style="list-style-type: none"> • Focus on grabbing consumer attention • All efforts of preference strategy useful • Motivate consumers to try brand

Adapted from Del I. Hawkins, Roger J. Best, and Kenneth A. Coney, "Consumer Behavior, Building Marketing Strategy," Tata McGraw-Hill, 2003, 543-547.

Affective choice

Consider a consumer buying a stereo at an electronics shop. She inspects the models of some good brands at the store. She compares the FM reception; the minimum and maximum volume; digital equalizer; remote control feature; option of stereo with both cassette and CD player; the color of models; recording option and quality of recording; the price and some other additional features. She evaluates all the models based on her product and price preference and selects one model.

Now consider the same consumer in a saree shop, buying saree for herself to be worn at a friend's marriage in a couple of days. As the salesman shows her sarees of various colors, quality, and price range; a bright pink saree with brocade blouse, catches her attention. She tells the salesman to keep it aside. Salesman continues to show her many more beautiful sarees, and she selects a green saree and an orange saree which she liked. She looks at all of them together. Green saree? Too traditional. Orange saree? Too bright. Pink saree? Perfect! She imagines herself in the pink saree and smiles thinking of all the compliments she will get at her friend's marriage. Without much hesitation, she makes the decision.¹¹

In the above example, the consumer adopts two different kinds of choice processes. The stereo purchase demonstrates the typical attribute-based choice (discussed in the next section), which involved a lot of mental processing and comparison. The selection of a saree for the marriage function, on the other hand, is an example of an affective choice. The saree was chosen not on the basis of some objective evaluation criteria, but for the simple reason that 'it feels right' as the following example illustrates.

Ramya is getting married and for the selection of the banquet hall she assists her parents. They see couple of banquet halls, but somehow there was something missing. Then they went to Essex Farms and at the entrance only Ramya knew that that was it. The glittering marble flooring, the glass doors, the space, and the atmosphere – she felt that it was right, unlike the other banquet halls they had seen. It was perfect.¹²

Affective choice is based, not on some product attributes, but on some immediate liking or emotional association with the product or brand. Habituation or long association with certain products or brands can also initiate immediate affective choice. Self-image (an individual's perception of him/herself, this image s/he will try to relate with the brand image. Self image has been elaborately discussed in Chapter 5) is another major factor which leads to affective choice, say popular brands in the case of college-going youngsters.

Marketers associate affective choices, primarily with products which lets consumers experience fun, pleasure, and excitement, say, designer clothes, luxury cars, exotic vacations, etc.¹³ Research has indicated that consumers anticipate the satisfaction they will get from using/consuming the product, while making a choice. Marketers of products, like vacations and homes, can encourage the potential consumers to anticipate their satisfaction while consuming the product.¹⁴

Attribute-based versus attitude-based choice

Attribute-based choice requires "the knowledge and use of specific attributes at the same time the judgment is rendered and involves the use of attribute-by-attribute comparison across brands."¹⁵ An attitude-based choice, on the other hand, involves "the use of general attitudes, summary impressions, institutions, or heuristics (decision rules)."¹⁶

The following two scenarios will explain the difference between these two choice processes:

Consumer Behavior

Scenario 1

Priya has to buy a cell phone as she has lost the old one. On the way she thinks of the options – her last cell phone was Samsung. But she was somehow not very satisfied with it. Her mother has a Nokia which looks good and works nicely. Some of her friends have Motorola which looks good. She makes a mental note of what all she must check in the cell phone before finally choosing one. She goes to the store and inspects various brands. She compares the brands on her set parameters and finally makes a choice.

Scenario 2

Priya has to buy a cell phone as she has lost the old one. On the way she thinks of the options – her last cell phone was Samsung. But she was somehow not very satisfied with it. Her mother has a Nokia which looks good and works nicely. Some of her friends have Motorola which looks good. At the store, she notices that both Nokia and Motorola have same price. She decides to buy a Nokia cell-phone.

The above two scenarios illustrate the difference between the attribute-based choice (scenario 1) and attitude-based choice (scenario 2). It is clear from the above examples that in attribute-based choice, the amount of time and energy spent is more as compared to attitude-based choice.

Evaluative criteria, individual judgments, and marketing strategy

Evaluative criteria are usually the product attributes which one generally considers while making a purchase. Processor speed, memory, operating system, warranty, and price are some of the evaluative criteria generally associated with purchase of computers. Affective choice, discussed earlier in the chapter, uses evaluated criteria like style, looks, taste, brand-image, etc.

Consumers might be able to compare the attributes of brands while making a choice, but on certain attributes like quality, they use their own judgment which might be based on factors like price, brand-image, country of origin, warranty, etc.

Thus, for marketers, both evaluative criteria and individual judgment hold the key to brand success.

MODELING CONSUMER DECISION-MAKING¹⁷

All through this chapter we have discussed how consumers make a choice. In this particular section, we will discuss the various models particularly relevant to consumer decision making.

Howard-Sheth Model of Buying Behavior

The Howard-Sheth model of buying behavior attempts to explain the complexity of the consumer decision making process in case of incomplete information.

Inputs: These are the stimuli (information cues) which affect the potential consumers' choices. There are three types of information cues which influence the potential consumers' decision making process – cues related to the physical attributes of the product (significative cues); the verbal and non-verbal elements of product/brand marketing messages (symbolic cues); and information provided by the potential consumers' social circle (social cues).

Perceptual Constructs: These variables are concerned with processing done by the potential consumers with respect to all the information available to them. Consumers may not mentally register all the information available (attention). Consumers may actively seek information (overt search) but all the information meaning may not be clear to them (stimulus ambiguity). Moreover, consumers will process this attended information with their own reference point leading to bias (perceptual bias).

Consumer Decision-making

Learning Constructs: The perceptual constructs will influence the learning constructs which have direct linkages with the product itself. These learning constructs are – objectives of purchase (motives); criteria for evaluation of product/brand (choice criteria); awareness of product/brand attributes (brand comprehension); attitude towards product/brand; consumers' confidence in his/her ability to make a knowledgeable choice; consumers' buying intention; purchase; and post purchase feedback (satisfaction).

Output: This is the final consumer decision making process which is actually followed by the consumers after processing the information.

Although the Howard-Sheth model of buying behavior is quite helpful in understanding consumer decision making, it fails in clearly defining all the aspects of the model. Moreover, this model is quite complex and difficult to understand.

The Nicosia Model

The Nicosia model, also known as Systems model, explains the consumers' buying behavior from the marketers' perspective. This model suggests that the marketers' communication can influence the prospective consumers' attitude towards the product/brand and trigger consumer interest and further search and evaluation of the product/brand.

The Nicosia model has four main fields which have separate components –

- Attributes of the firm and consumer: Attributes of the marketer influence the consumer predisposition. This communication flow from marketer to consumer is interpreted by the consumer on the basis of various socio-environmental factors like awareness, motivation, attention, and perception. If the marketer's message is able to influence the consumer predisposition towards the product/brand, consumer will develop a particular attitude towards the product/brand.
- Search and evaluation: The consumer will search and evaluate the product/brand, especially if there are other relevant alternatives available. The model suggests that product/evaluation will lead to a motivation to make the purchase decision.
- Purchase decision: Consumer purchase intention leads to final purchase decision with respect to the particular product/brand.
- Consumption and feedback: The final field in this model explains the consumption, which will generate consumer feedback. The consumption will also add to consumer's own experience with the product/brand which will again influence the consumer attitude towards the product/brand.

This model emphasizes that purchase is not the only aspect of consumer decision making, and there is more to it. It also clearly shows the logical flow of consumer's state from general product/brand knowledge to active interest in a particular product/brand. However, it fails to explain in detail the firm's and consumer's attributes. It also doesn't take into account the possibility that consumer may already be having a predisposition with respect to a particular product/brand.

Engel-Blackwell-Miniard Model¹⁸

The Engel-Blackwell-Miniard (EBM) model is a modified version of the earlier Engel-Kollat-Blackwell (EKB) model. This model assumes that the consumers take a problem-solving approach. Therefore, the consumer decision making process will start if consumer has a need or a problem.

Consumer Behavior

The EBM model has four sections –

- Input: The information received by the consumer can be from internal source (memory and experience) or external sources (family, friends, advertisements, internet, etc).
- Information processing: The input information from various sources is processed for pre-purchase evaluation by the consumer.
- Decision process: Decision process has seven steps – need recognition, information search (and processing), pre-purchase evaluation of alternatives, purchase, consumption, post-consumption evaluation, and divestment.
- Variables influencing decision process: The decision process is aided by various individual (resources, motivation, product involvement, knowledge, attitude, personality, values, and lifestyle) and environmental (culture, social class, personal influences, family, and situation) variables.

Although the EBM model is very comprehensive and takes into account many factors left out by other consumer decision making models, it is criticized for lack of clarity regarding the influence of individual and environmental variables on consumer decision making.

SUMMARY

Consumers make numerous decisions everyday; sometimes even when they are not consciously aware of how and why they have made a choice. The consumer as a decision maker is viewed in different ways by different groups of researchers. The economic view holds that consumers are rational decision makers, while some other researchers view the consumers as uninvolved, passive decision makers. Yet another group of researchers view consumers as cognitive decision makers. But all these views ignore the influence of emotions on consumers' choices.

There are three types of consumer decision making - habitual decision making (low purchase involvement with no external information), limited decision making (consumer evaluates limited alternatives with some external information), and extended decision making (large number of alternatives with the help of extensive information search from both internal and external sources).

There are three phases in consumer decision making process – problem recognition, information search, and alternatives evaluation and selection.

Problem recognition is initiated with identification of a gap in the actual state and the desired state as perceived by the consumer. The consumer may be aware or unaware of the problem or need. The need awareness can trigger through non-marketing and/or marketing triggers. Marketing triggers involve identifying consumer problems through various techniques and then acting on these. Marketers may also try to suppress problem recognition by consumers for products like cigarettes, alcohol, etc.

Information search is initially done from internal sources, i.e., memory and experience, and then from external sources, i.e., friends, internet, etc. Consumer decision making involves seeking information on three important aspects of product – evaluation criteria, alternatives available, and attributes of each alternatives. The amount of external search to be done depends on various market, product, consumer, and situational variables.

Alternatives evaluation and selection involves making the brand choice after evaluating all the alternatives. There are three types of consumer choice processes – affective choice (based on ‘it feels right’ factor), attitude-based choice (based on decision rules), and attribute-based choice (based on attribute-by-attribute comparison across brands).

There are three important models which explain consumer decision making – the Howard-Sheth model of buying behavior, the Nicosia model, and the Engel-Blackwell-Miniard (EBM) model.

The Howard-Sheth model of buying behavior attempts to explain the complexity of the consumer decision making process in case of incomplete information. However, is quite complex and difficult to understand.

The Nicosia model explains the consumers’ buying behavior from the marketers’ perspective. However, it fails to explain in detail the firm’s and consumer’s attributes and doesn’t take into account that consumer might already be having a predisposition with respect to a particular product/brand.

The Engel-Blackwell-Miniard model assumes that the consumer approach is that of problem-solving. It, however, lacks clarity regarding the influence of individual and environmental variables on consumer decision making.

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Chapter 14

Consumer in Marketplace

In this chapter we will discuss:

- Introduction to Retailing
- Factors Affecting Outlet Selection
- In-store Influences

Consumer Behavior

In July 2001, along with renowned jam brands such as Kissan and Sil, a new brand was prominently being displayed on the shelves of India's leading food retailer, FoodWorld, owned by the R P Goenka (RPG) group of companies. The jam was sold under the brand name 'FoodWorld' and was priced much lower than the other brands. Within a month of their launch, FoodWorld jams accounted for 17% of FoodWorld's sales in that category.

This development marked one of the first major instances of the conflict between 'private store brands' and 'FMCG company brands' in India. While the phenomenon has become rather common in countries such as the US and the UK, FoodWorld was the first retailing chain to challenge the might of leading FMCG companies in the country. Beginning with jam, honey, phenyl and herbal sanitizers, FoodWorld soon extended its branding initiatives to other products as well.¹

The above example emphasizes the importance of store brands, which is one of the many important components which consumers evaluate while selecting an outlet to shop from. In this chapter, we will discuss the various retail and consumer variables which affect consumers' choice of an outlet. We will also discuss the concept of store-based and non-store-based retailing.

INTRODUCTION TO RETAILING

The word 'retail' has, traditionally, been associated with big and small stores selling merchandise, from clothes and jewellery, to household goods, to grocery items. Retailing, however, consists of "those business activities involved in the sale of goods and services to consumers for their personal, family, or household use. It is the final stage in the distribution process."² Retailing, therefore, is not limited to store-based retailing, but also encompasses various other sources of purchase of goods and services like the internet, catalogs, direct marketing, etc.

The Retail Scene in India

Retailing in India, not so long ago, was limited to small, over-the-counter retail stores. This kind of set-up left little scope for marketers to attract consumers to buy their product, where it mattered, i.e., the store-level. However, last few decades have seen the arrival of many big names in retail like Shopper's Stop, Pantaloons, LifeStyle, Big Bazaar, etc. The shopping mall concept³ is also picking up in big cities in India. Some important factors fuelling store-based retailing in India are the increasing purchasing power that has accompanied economic growth in past few years; cheaper real estate; and rising consumerism ("attachment to materialistic values or possessions"⁴).

Unconventional Sources of Purchase

Non-store based shopping consists of all ways of shopping ("to look for something with the intention of acquiring it"⁵) without going to the store. Some choices in India are face-to-face selling (Avon, Amway, Oriflame, Eureka Forbes), tele-shopping (Asian Sky Shop), and virtual stores (Amazon.com, buy.com, bazee.com, fabmall.com, indiatimes.com).⁶ Refer Exhibit 14.1 for a detailed discussion on various types of direct marketing.

Another unconventional source of purchase is websites of established store-based retailers. The retailers offer interested consumers information about the products and brands, and also give them opportunity to make purchases on-line. Some examples are airlines websites, which allow consumers to buy tickets online (www.airdeccan.net); gifts and greetings website of Archies (www.archiesonline.com), etc.

Exhibit 14.1

Types of Direct Marketing

- **Face-to-Face Selling:** In this type of marketing one needs to approach people directly and sell on a one-to-one basis. Prospects are identified and efforts are made to develop them into customers. Companies hire a professional sales force, representatives, and agents etc. to locate the customers and sell products directly to them. Most consumer companies use a direct selling force, both part-time and full-time, and may take on insurance agents, stockbrokers and direct distributors.
- **Direct-Mail Marketing:** In direct-mail marketing a prospect/customer is informed about an offer through a letter, foldout, flyer, fax mail, e-mail, voice-mail, a mail audio tape, a video tape or a computer disc.
- **Catalog Marketing:** In catalog marketing, one or more product catalogues are mailed to prospects/customers at selected addresses. Such catalogues could be also offered on the internet. This helps the companies to save the cost of printing and mailing catalogues to a large number of addresses.
- **Tele-Marketing:** In telemarketing, products are offered on the telephone and product orders are taken from willing customers. Some tele-marketing systems are fully-automated with auto-dialing and recorded-message players, which dial numbers, plays a voice activated product description and also takes orders from an interested customer through an answering machine, or forwards the customer call to the operator.
- **Television-Marketing/Shopping:** In television-marketing, products are offered on the television, through infomercials that provide detailed product information, along with a list of telephone numbers (of franchises/distributors) to order the products or to make further enquiries.
- **Videotext-Marketing:** In videotext-marketing, a link is established between the customer's TV set and the databanks of the retailer's computer with the help of a cable or telephone line. Computerized catalogues of products are offered to customers, who can place an order using a special key-board device connected to the television by a two-way cable.
- **Kiosk Marketing:** In kiosk marketing "customer-order-placing-machines" are set up at different locations. These enable the customers to specify their requirements and get an image of the customized product that meets their requirements. The product is then, delivered to the customer.
- **Interactive Home Shopping:** In interactive shopping, a communication link is established with a customer through an interactive electronic system such as a computer or a digital TV. This type of retailing is also known as e-tailing. This also enables the customer to place an order online on the Internet, and get the goods delivered home.

Source: "The Teleshopping Business in India," Case Study, ICFAI Center for Management Research.

Internet retailing

The concept of internet-retailing or e-tailing is picking up worldwide, especially in low-risk product categories like gifts & greeting cards, music, books, airline & entertainment tickets etc. E-tailing not only gives the benefit of unlimited virtual space to the retailer, it also gives shoppers a wide choice and saves them the cost of traveling. However, sites often leave shoppers frustrated. Research has shown that a

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considerable number of on-line shoppers who face problems, either decide not to visit that particular site again, or decide never to shop online again. More and more retailers are thus realizing this and introducing various audio-visual help tools to enhance the on-line shopping experience and makes it simpler for shoppers.⁷



Source: www.rediff.com

In India, online-retailing is yet to catch on. Most store-based retailers, who maintain a website, use the website for dissemination of information relating to the store. There are only handful of successful e-tailers in India like firstandsecondhand.com, indiatimes.com, fabmart.com, bazee.com, and rediff.com. The main reason is that very few Indians, who have access to the internet, shop online, due to the high cost of goods available online (fewer orders mean higher costs) and the belief that on-line payments are unsafe. Researchers, however, predict that e-tailing will grow strongly in coming years, given the consistently high growth in retailing in India. It is also expected that currently prevalent system of ordering for food and groceries over the phone, may also be adapted into some model of e-tailing.⁸

Store-based retailing

Store-based retailing is, by far, the most popular concept of shopping in India. Store-based retailing has many different formats. Some of the established, international retail formats are given in Table 14.1. In India, some popular organized retail formats are super markets (Trinethra, FoodWorld); department stores (LifeStyle, Shopper's Stop, Pantaloon); speciality stores (Vivek's in televisions, Titan stores for watches, Tanishq showrooms for jewellery, Crossword for books); and hypermarkets (Big Bazaar, Giant). India also has a large number of one-price-stores, where all merchandise is for one price, a concept known as 'dollar price shops' in western countries. Franchise stores also constitute a big chunk of the Indian retail market, with many big brands (e.g., Raymond, Benetton, etc.) having a nation-wide presence through their franchisee network.

Table 14.1: International Retail Store Formats

Format	Product Category	Assortment	Area (sq.ft.)	Service Levels	Prices	International Example	Indian Example
Speciality Store	Single	Good	Under 8,000	High	High		Vivek's, Titan
Department Store	Multiple	Good	1-2 lakhs	High to Avg.	High to Avg.	JCPenny, Sears	LifeStyle, Shopper's Stop
Discount Store	Multiple	Avg.	60,000-80,000	Low	Low	Wal-Mart, The Home Depot	Big Bazaar, Giant

Adapted from The ET Knowledge Series: Retail 2000-01, 34-37.

Illustration 14.2: Store-based Retailing



FACTORS AFFECTING OUTLET SELECTION

Consumers select the retail outlet the same way they select the brand that they want to purchase - identify the problem or need, i.e., the selection of a retail outlet; indulge in internal and external information search with respect to retail outlets; retail outlet evaluation and selection; and finally making the purchase from the selected retail outlet. Although consumers choose from store based and non-store based retail outlets, due to lack of research on non-store based buying behavior, we will only discuss the evaluative criteria that consumers use to select a store-based retail outlet.

Store Image

The store image is “the way in which the store is defined in the shopper’s mind, partly by its functional qualities and partly by an aura of psychological attributes.”⁹ Merchandise assortment, price positioning, store layout, credit policies, etc. create the functional qualities of a store, while the sense of belonging, friendliness, etc. form the psychological attributes of the store image as it exists in the minds of shoppers.¹⁰ Table 14.2 presents nine store attributes which help consumers develop a positive or negative store image.

Table 14.2: Store Attributes that Influence Store Image

	Attribute Group	Variables Covered
1.	Merchandise	Merchandise assortment, quality, fashion-element, and prices
2.	Service	Ease of shopping, return, credit, and delivery
3.	Clientele	Target customers and class appeal
4.	Physical Facilities	Washrooms, trial rooms, elevators, aisle, space, etc.
5.	Convenience	Store location and parking
6.	Promotion	Advertising and short-term sales promotions
7.	Store Atmosphere	Warm, friendly, fun
8.	Institutional Factors	Store reputation and reliability
9.	Post-Transaction Satisfaction	Number of returns, feedback

Adapted from Meaning of Image. By: Lindquist, Jay D., Journal of Retailing, Winter74/75, Vol. 50 Issue 4.

It is important to note here that the convenience factor can mean different things for different retailers. For a store like LifeStyle (in India), it may mean fast billing and ample parking space, while for a small grocery store, the convenience factor may mean store location and free-home delivery.

Retailers can create a positive store image for their target consumers by using functional and psychological variables to their advantage. Retailers can focus on one or more of functional and psychological variables to create a favorable store image. Globus, for example, is highly fashion-oriented, while Big Bazaar’s focus is on providing quality products at low prices to consumers.

Store Brands

Retailer brands, also known as store brands or private labels, may or may not be the part of the merchandise being offered. Some retailers like Westside, sell only their brand, while other retailers like LifeStyle and Pantaloons provide consumers with a mix of both. Retailers’ brands can also help them improve their image in the eyes of

its target consumers as it gives them exclusivity as their brand is available at their store only. These brands also give a better margin than manufacturer-brands, and are also useful for filling up merchandise gaps. Merchandise gaps can arise due to price, supply, quality, or choice. Price gaps exist where the consumer was ready to buy but found the price to be prohibitive. Supply gaps occur in absence a guarantee of regular supply of a product. Gaps in quality mean that the goods available are not up to the mark, and the choice gaps denote that the consumer do not have a wide range of options to choose from.¹¹ Some examples of successful store brands are ETC by Ebony (a retail chain in North India), and Kashish and Stop by Shopper's Shop.

Retail Advertising and Promotions

Retail store advertisements are frequently used to attract potential consumers by informing them of price promotions, fresh stock arrivals, or distinct store attributes like spacious parking, number of brands, etc.

Price promotions are used particularly to attract people to visit the store. Research has shown that people who visit a store due to price promotions on some products are likely to buy some regular priced products, i.e., the products that don't have price promotions offered on them.¹²

Apart from price promotions, retailers can also benefit by communicating the services they offer to the public. Research has indicated that message appeal plays an important role in attracting people to visit a store. Also, a rational and informative message appeal should be used as it leads to a positive attitude towards the advertisement, which automatically leads to a positive attitude towards the retail store being advertised.¹³ A major decision the retailer has to take with respect to promotions, is, how high the price reductions need to be, and how to frame these reductions. Retailers can frame price promotions primarily in two ways – absolute rupee terms (e.g., Rs.100 off) or relative percentage terms (e.g., 10% off). Retailers can also use combination of both these methods on a wide array of products, say, absolute price discounts or reductions on items of small value (Re.1 off on Rs.10 pen) and relative % discount on expensive items (e.g., 10% off on Rs.1000 dress). It is important to note here that the attractiveness of the discount being offered depends on the amount of discount being offered as well as the original price (or the reference price, i.e., the price which is treated as the basis of comparison for other prices, e.g., retailers' original prices or competitor's prices) of the product being offered on discount. Therefore, a Re.1 off on a Rs.10 pen may seem more attractive to potential consumers than a Re.1 off on a Rs.50 pen.¹⁴ At times, retailers also engage in minimum discounts (say, 5% off on all items) or tensile pricing (say, 'upto 50% off'). Note that tensile pricing refers to "tactics that are intentionally vague with regard to specific price discounts."¹⁵

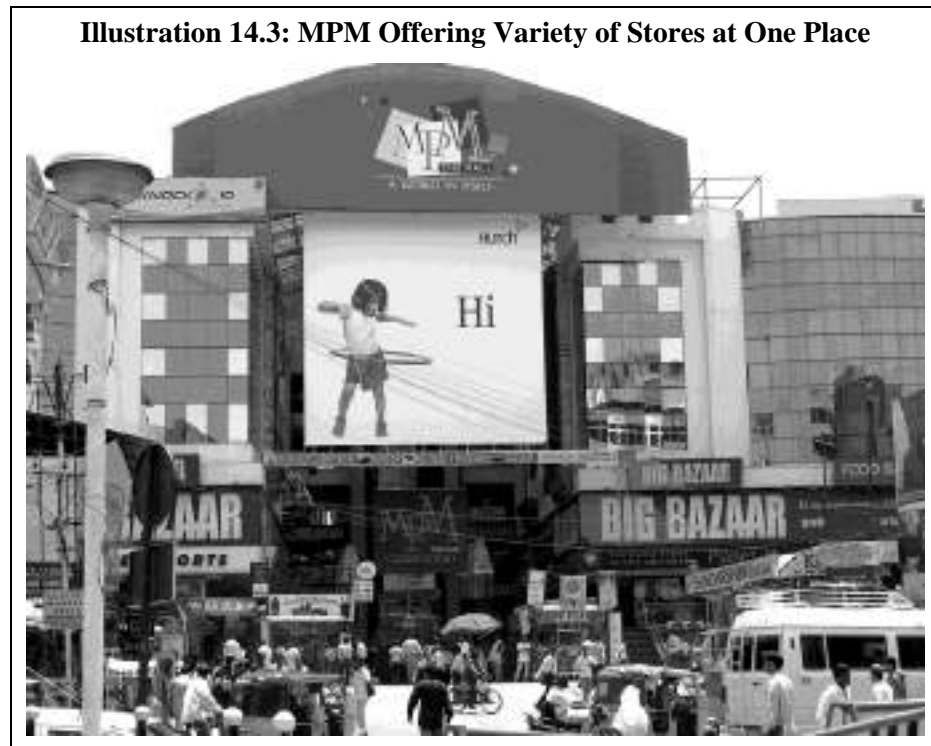
The price promotions can also be communicated through semantic cues (wording) to have the desired effect on potential consumers. These semantic cues can either be of low-consistency (comparison of original and post-discount prices of the retailer), or of high-distinctiveness (comparison of competitors prices of some products with post-discount prices of same products by the retailer).¹⁶

Recent times have seen retailers adopting price promotion strategies to an increasing extent. On the other hand, consumers are becoming increasingly skeptical of the authenticity of these discounts. Consumers have started feeling cheated by retailers, who, they believe, increase the original price just to give the impression of giving a higher discount. Consumers, therefore, are increasingly questioning the reasons behind these discounts – seasonal stock clearing, out-of-fashion merchandise, defective merchandise, or some other reason.¹⁷

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Store Location

With the mushrooming of stores with similar products and brands, store location can be critical.¹⁸ Consumers tend to buy products from the closest retail outlet if everything else remains same. This tendency of visiting the closest store is driven by the fact that consumers try to reduce their overall cost per shopping trip, i.e. traveling cost as well as cost of products purchased.¹⁹



With both spouses working, shopping trips are turning into a collection of multiple activities which have to be clubbed together due to scarcity of time. Location, thus, becomes important as placing the store in close proximity to their target consumers shopping trips overcomes the problem of lack of time for consumers. The increasing acceptance of malls in India is driven by the same concept, as a mall offers a number of speciality stores at one location.²⁰ For example, Ansal's Plaza in South Delhi has several ATMs, eating joints like McDonald's and Subway, coffee parlors, Shopper's Stop, premium brands like Marks & Spencers and Blackberry's, a book store, a flower shop, a gift shop, a furniture shop, a play area for kids and a host of other shops dealing in different product categories. Retailers are trying to satisfy as many needs of their target consumers as possible by introducing a number of different departments within the store. Shopper's Stop in Hyderabad, for example, offers clothing, accessories, jewellery, cosmetics, music, food, entertainment (video games parlor), books, and much more at their store to give more product options to their consumers.

It is important to note that consumers' willingness to travel is influenced by the number of purchases and the type of product to be bought.²¹ For example, a consumer may be willing to travel more in case an entire wardrobe has to be changed and may be inclined towards only a little travel in case a couple of convenience goods have to be bought.

Illustration 14.4: Prasad's at Hyderabad Provides Shopping & Entertainment Together



Perceived Risk

Consumers shy away from buying a product, if they perceive that the product is too risky. Perceived risks are the “consumer’s perceptions of the uncertainty and adverse consequences of buying a product or service.”²² The risk element, as perceived by the consumers, can be listed in six types²³:

- Social risk: The fear of disapproval by the consumer’s significant few, i.e., family, friends, etc. (e.g., a dress which the family will disapprove of).
- Quality risk: The fear of non-performance of the product (e.g., a weak chair which might break if the load is too much).
- Psychological risk: The fear that the product will degrade one’s self-image (e.g., a highly image-conscious teenager may not like to opt for simple glasses).
- Physical risk: The fear of physical harm caused by the product (e.g., the possible harm caused by microwaves when using a microwave oven).
- Time and effort risk: The fear that too much time and effort needs to be invested in understanding and using the product. (e.g., the time and effort the buyer will have to put in, to learn to work on a computer).
- Financial risk: The fear that the product will cause a huge financial burden in case of non-performance or will harm the buyer financially (e.g., an expensive tight-fitting designer dress which might become uncomfortable to wear in some time).

It is important to note that the extent of the risk perceived by consumers differs greatly according to their past experiences and level of overall knowledge regarding the product or service under consideration.²⁴ A racing car driver, for example, may have more knowledge as well as experience with cars, and therefore, less perceived risk while making a purchase, as compared to a layman buying his first car.

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With respect to the selection of retail outlet, the perceived risk of consumers is greatly influenced by the type of the retail outlet and its image, and also by the consumers' own socioeconomic standing. Traditional consumers in India tend to feel safer with traditional retail formats (e.g., over-the-counter format followed by most stores in India) as compared to newer unconventional retail formats (e.g., large format multi-brand stores like LifeStyle, discount stores like Big Bazaar).

To reduce the perceived risk of consumers, retailers can adopt several strategies²⁵ –

- Warranties, guarantees, free servicing, exchange and refunds are important tools that can reduce the economic risk (time, effort, and financial risk together). Retailers can try to reduce social risk to some extent by using effective, experienced, and knowledgeable sales staff.
- Non-traditional retailers, say discount stores (e.g., Big Bazaar) should focus more on selling products with low perceived risk like kitchen supplies, stationery, etc., while departmental (e.g. Shopper's Stop) and speciality stores (e.g. car dealers) are better equipped in selling products with high perceived risk like automobile, wedding dresses, etc.²⁶
- Non-traditional retailers need to have a more brand-oriented merchandise assortment in product categories which are high on perceived risk for consumers.
- Traditional outlets can more easily sell product categories which are considered high on perceived risk by consumers.

Shopping Orientation

People shop for a variety of reasons – it can be for fun and entertainment, to relax, to pass time, to purchase needed items, a family outing, or just to get a glimpse of what's new in the market. Shopping orientation is, thus, “a shopping style that puts particular emphasis on certain activities or shopping motivations”²⁷ or simply, “the way shoppers perform their task of shopping.”²⁸ Refer Table 14.3 for types of shopping orientations explained through the use of some metaphors. Also see Exhibit 14.2 for shopping orientations of Indians.

Table 14.3: Types of Shopping Styles

Metaphor	Shopping Style	Detailed Description
Chameleons	Product/situation-specific	Continuously changing shopping style, influenced by mood swings, product category and situations
Collectors/ Gatherers	Stockpile	Tendency to buy in bulk, dislike shopping, seek bargains
Foragers	Product/Brand-specific	Lone shoppers, tendency to delay purchase till they get what they want
Hibernants	Indifferent	Opportunists, tendency to postpone purchase
Predators	Need-driven	Dislike shopping, finish it fast
Scavengers	Shopping-oriented	Enjoy shopping, impulsive purchasers, price driven

Adapted from Fauna, foraging and shopping motives. By: Hassay, Derek N.; Smith, Malcolm C., Advances in Consumer Research, 1996, Vol. 23 Issue 1.

Research has indicated that people visit shopping malls for three main reasons – variety of stores (food, drinks, apparels, gifts, hardware, computer, entertainment, etc.); mall environment (architecture, décor, interiors, temperature, space, music, lighting, layout, etc.); and shopping involvement (for men, women, and children). These three variables were not only found to be significant in influencing the

shoppers' desire to spend more time in the mall but also in leading to a high level of excitement for them. This leads to further mall patronage by shoppers and more purchases at the mall.²⁹ It is important to note that both men and women may shop for better deals and good quality, but men tend to view shopping as a necessarily evil, while women are highly involved shoppers and enjoy the experience.³⁰

Exhibit 14.2

Shopping Orientations of Indians

A recent research to understand the shopping orientations of Indians identifies 13 orientations:

- Experience sharing
- Managing stress
- Information seeking
- Exploring
- Relaxed after shopping
- Loyal
- Bargain seekers
- Go & grab
- List sticking
- Visiting unplanned
- Price driven
- Avoiding crowd
- Shopping from nearest store

These orientations were then clubbed under two heads – fun shoppers and work shoppers. These combined characteristics are:

Fun shoppers (39%): They are primarily bargain seekers who enjoy shopping and view it as a major source of entertainment. The people in this group are more inclined to try out new store formats.

Work Shoppers (61%): They are primarily activity-oriented shoppers who dislike shopping and indulge in it only when they need to or when they have time to kill. People in this group were more store-loyal than fun shoppers and preferred to shop from home, if possible. It is important to note that there were more men in this group.

Adapted from Shopping Orientation in the Evolving Indian Market. By: Sinha, Piyush Kumar. Vikalpa: The Journal for Decision Makers, Apr-Jun2003, Vol. 28 Issue 2.

IN-STORE INFLUENCES

Shoppers often go with their shopping lists and end up buying much more than they actually planned or buying a different brand than what they intended to buy. Such purchases are called unplanned purchases. All unplanned purchases are not necessarily impulsive purchases. An unplanned purchase can be either a reminder purchase or an impulsive purchase. Let's understand these concepts with the help of the following example:

A boy goes to a food & grocery store to buy apples, some vegetables and Vijaya milk. He goes to the refrigerator and finds that Vijaya milk is out of stock. So he buys Jersey milk. He then adds apples to his shopping cart and goes to the vegetable rack and purchases some vegetables. Just next to the vegetable rack, he sees Coca-Cola and remembers that the supplies at home are exhausted. So he buys apples, vegetables, Jersey milk, and Coca-Cola. While making the payment, he sees Cadbury's chocolate jars. He, thus, buys apples, vegetables, Jersey milk, Coca-Cola, and Cadbury's dairy milk chocolate.

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In the above example,

- Apples are a specifically planned purchase (planned before entering the store and purchased according to the plan);
- Vegetables are a generally planned purchase (a general product category is planned before entering the store but what exactly is decided at the store);
- Purchase of Jersey milk in place of Vijaya milk is a substitute purchase (buying a substitute instead of the planned item);
- Purchase of Coca-Cola is a reminder purchase (person remembers that he needs it on seeing it in the store);
- Purchase of Cadbury's dairy milk chocolate is an impulsive purchase (purchased as a result of a sudden urge to have it).

This kind of deviation from planned items is often caused by in-store factors like point-of-purchase displays; price reductions and promotion deals; outlet atmosphere; stock-outs; website layouts, functioning, and requirements; and sales personnel.

In-store Displays

An in-store display or point-of-purchase display are “audio or visual communication which immediately precedes the sale of any product or service.”³¹ The channels of communication can be in-store signage, packaging, on and off shelf displays, etc. Use of sales signs can be particularly helpful in increasing sales, as it informs them which products have price promotions and also guides shoppers towards the merchandise on sale.³²

Illustration 14.5: Examples of In-store Displays



Markdowns and Price-promotions

In-store promotions can influence the consumer's brand choice to a great degree. Stores often indulge in aggressive price promotions with the single-minded goal of attracting competitors' customers. However, research has proved that it is more profitable for the retailers to provide such promotions for the products which are most favored by loyal shoppers.³³

Store Atmosphere

Store environment can influence the shoppers' choice of outlet to a great degree; shoppers may even give more weightage to the store environment than to the merchandise assortment.³⁴ The in-store environment can be defined as the factors "external to the person being studied, which can be measured independently of the person."³⁵ Store environment is also known as servicescapes, i.e., "man-made, physical surroundings as opposed to the natural or social environment."³⁶ The in-store environment includes – music, lighting, level of cleanliness, temperature, scent, crowding, behavior of sales persons, space, store-layout, etc.

Recent research in some areas of store environment like the effect of background music, crowding, and scent has revealed some interesting facts:

- Perceived retail crowding, i.e., "the expectation of and tolerance for crowding," can influence the shoppers' comfort and satisfaction level, thus influencing the choice of the store.³⁷
- Background music can be used by the retailers to – enhance their store image; lift the mood of shoppers, which may further influence their purchase; to target customers specifically based on age, income, education, gender, etc., which are groups which enjoy different kinds of music. Background music in-store can also make the shoppers feel more special.³⁸
- Traditionally, scents have played an important role in communicating the freshness and quality of food items to the buyers.³⁹ Research has shown that scents can also be used in relaxing people.⁴⁰ Some researchers, however, do not agree that scents can actually influence the consumers' in-store decision making.⁴¹

Stock-outs

Shoppers are quite often disappointed on discovering that the brand and product which they particularly came to buy, is out-of-stock. Research has revealed that brands/product manufacturers lose more than 50% of their buyers and retailers lose more than 14% of their shoppers to competition due to stock-outs. The experience of a stock-out of their favorite brand doesn't only lead to loss of current sales, but can also influence customers' future visits to the particular retail store.⁴²

In case of a stock-out, shoppers may respond in four different ways; they can:⁴³

- Buy a substitute brand/product;
- Buy the brand/product from another competing retail store;
- Postpone the purchase decision; or
- Decide to completely stop buying the brand/product.

Sales Staff

Sales personnel play a very important role in in-store consumer decisions. They not only help sell the products that the shoppers need, but also add to the satisfaction felt by a consumer on making a good purchase. Retailers' efforts to increase the store traffic will yield no results if the sales personnel at store are not effective. A bad experience with a sales person at a store can greatly influence the shopper's decision to revisit a store.⁴⁴

Consumer Behavior

Final Transaction

After going through the whole of decision process, shoppers finally make the transaction which may be either to buy the product or to rent it, by making a payment. It is important to note that the easier it is to make the final purchase at store, the better the shoppers' store service experience becomes. Long queues in front of cash counters at many large format retailers often leave shoppers with a bad parting experience. Thus, despite all the efforts by a retailer to enhance customer experience, a bad final impression can result in lost sales and/or dissatisfied customers.

Shoppers use payment mechanisms like cash, credit cards, and debit cards to make their purchases. Research has revealed that the shoppers' willingness-to-pay increases greatly when they use credit cards to make payments, as it doesn't deplete the money in their pocket immediately.⁴⁵

In case of purchase of big ticket items like house or car, consumers often opt for credit from various sources like banks, credit-card companies, etc. This again leads to another set of decisions for the consumer - starting with the need for credit as a problem to the choice of a credit source, to finally taking the credit from the selected source.

SUMMARY

Retailing, i.e., selling goods to final consumers, includes both store-based (brick & mortar) and non-store-based retailing (e-tailing, direct selling, catalog selling, TV selling). In India, store-based selling is still highly entrenched, while non-store based selling is at a nascent stage. In the organized retailing sector, many new formats are coming up in India like speciality stores (single product category, high prices and service levels), departmental stores (multiple product category, high to average prices and service levels), hypermarkets (multiple product category, average to low prices and service levels). India also has super markets which deal primarily in food and groceries.

The consumer outlet selection process includes all the steps in the product or brand selection process. Consumers' retail store selection behavior depends on – store image (merchandise assortment, price positioning, store layout, credit policies, atmosphere, service as well as sense of belonging, friendliness, etc.); retailer brands (help them improve their image in the eyes of its target consumers as it gives them exclusivity); retail advertising and promotions (used to attract people to visit the store); and store location (close proximity to their target consumers' preferred areas).

Outlet selection by consumers depends on – perceived risk (social, quality, psychological, physical, time & effort, and financial risk) and shopping orientations (the style and motivation of the shoppers).

Consumers often get influenced by the in-store atmosphere, which may result in more or less than intended shopping. It can also influence the choice of brands in the store. The in-store atmosphere includes – in-store displays (in-store signage, packaging, on and off shelf displays, etc.); markdowns and price promotions (price discounts, 'buy one, get one free', etc.); store atmosphere (music, lighting, level of cleanliness, temperature, scent, crowding, behavior of sales persons, space, store-layout); stock-outs (shoppers may buy competing brand, go to another store, postpone the purchase or completely drop it); sales staff (enhance shopping experience); and final transaction (purchase or rent).

End Notes:

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Chapter 15

Post-Purchase Behavior

In this chapter we will discuss:

- Defining Post-purchase Consumer Behavior
- Consumer's Post-purchase Dissonance
- Disposal
- Product/Service Evaluation and Consumer Satisfaction/Dissatisfaction

Consumer Behavior

On October 31, 2000, a Singapore Airlines (SIA)'s SQ-006 Boeing 747 crashed in Taiwan. This was the first major accident in more than 28 years of the airline's operations. Of the 179 passengers on board, 81 were killed. The following day, SIA announced \$25,000 in compensation to the families of those who had died, to help them cover immediate expenses. When SIA's management discovered that it was pilot error that had caused the mishap, the airline offered an additional \$400,000 per family -- a figure almost five times the amount the company was liable to pay. The Deputy Chairman and Chief Executive Officer, Cheong Choong Kong, said the company took "full responsibility" for the accident. No airline had ever before accepted full responsibility or been so forthcoming with compensation in the case of an accident.¹

The above illustration is one of the many ways in which companies are bringing in transparency into their relationship with their customers. It is extremely likely that by taking full responsibility for the mentioned crash, SIA successfully convinced all its potential consumers of its attitude toward consumer service. In this chapter, we will discuss consumer post-purchase behavior with the stress on consumer dissonance, product disposal, and post-purchase evaluation, and consumer satisfaction and dissatisfaction. The concepts of product usage, complaint behavior, and loyalty marketing will also be discussed briefly.

DEFINING POST-PURCHASE CONSUMER BEHAVIOR

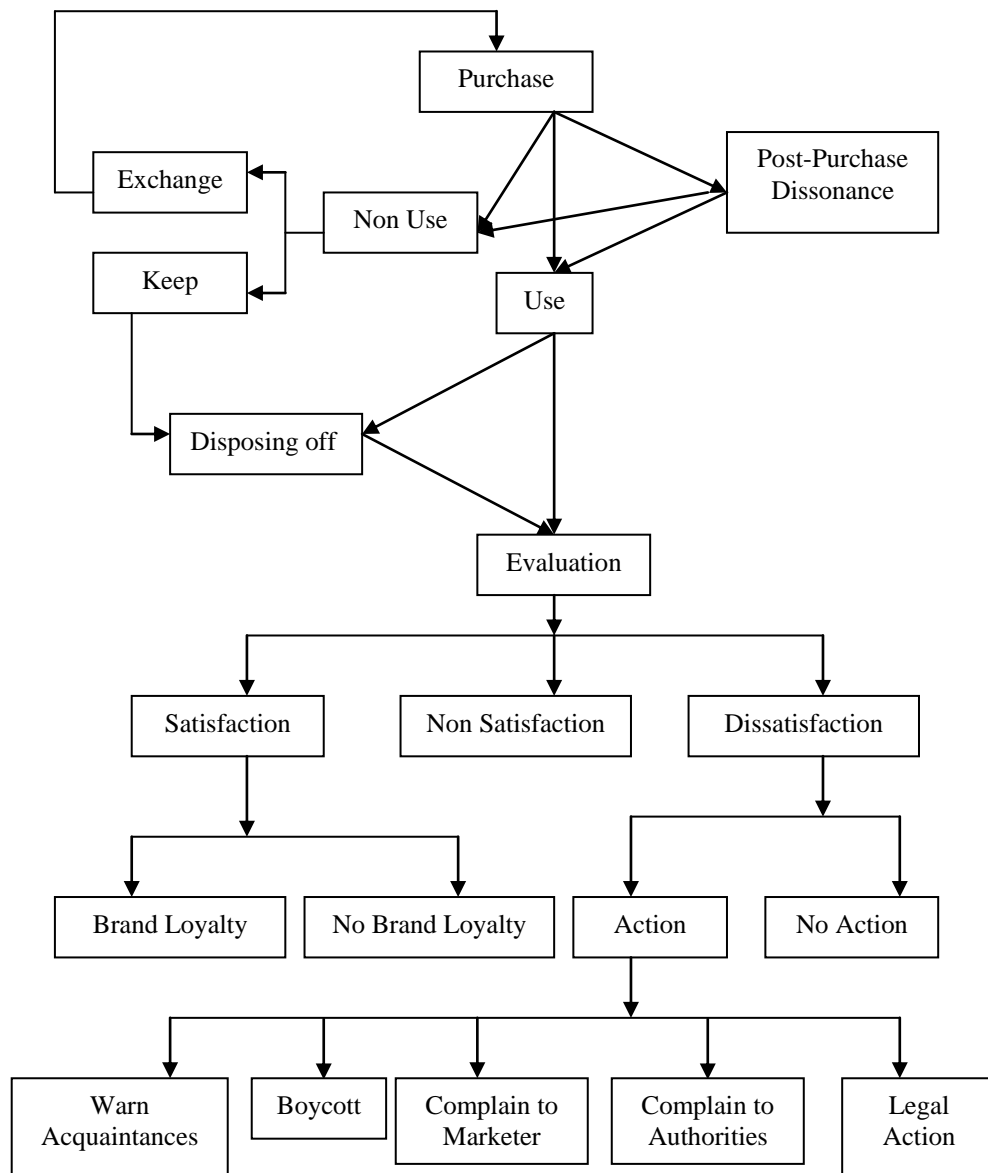
As shown in Figure 15.1, after making a purchase, the consumer sometimes experiences post-purchase dissonance, which may even lead to nonuse and subsequent exchange or return of the product. In case the consumer decides to use the product (or keep it, even when he/she does not use it due to lack of any exchange or return policies), it is usually followed by the product being disposed off. Post-purchase evaluation is followed by satisfaction, non-satisfaction, or dissatisfaction. In case of dissatisfaction, consumers may take action that can vary from warning family and friends against the product to taking legal action.

CONSUMER'S POST-PURCHASE DISSONANCE

Dissonance is "a psychologically uncomfortable state,"² and post-purchase dissonance is the state of anxiety the consumers experience after making a purchase; generally, it is the result of difficult purchase decisions. It is important to note that in case the alternatives being considered for purchase are perfect substitutes for each other, no post-purchase dissonance will occur after purchasing any one of such alternatives.³ However, in the absence of perfect substitutes, some amount of post-purchase dissonance is unavoidable.⁴ In case, all the alternatives are desirable, consumers might experience strong negative emotions while making a choice, which may result in postponing or completely dropping the purchase.⁵ Table 15.1 gives various factors which can lead to post-purchase dissonance and examples of buying situations and levels of post-purchase dissonance related to each situation. A high level of post-purchase dissonance can result if:⁶

- It is difficult for the consumer to arrive at the purchase decision because of the importance of the decision and/or the number of alternatives available.
- All the alternatives being considered are almost equally desirable by the consumer.
- The decision can't be undone, i.e., the purchase doesn't entail any exchange, refund, guarantee, etc.⁷
- The product/brand is new in the market and /or belongs to a less known marketer.⁸

Figure 15.1: Post-Purchase Consumer Behavior



Adapted from Del I. Hawkins, Roger J. Best, and Kenneth A. Coney, "Consumer Behavior, Building Marketing Strategy," Tata McGraw-Hill, 2003, 626.

Consumers often regret the purchase decisions they make. This may not entirely depend on the performance of the brand/product they have purchased but also on the performance of the forgone alternatives. It is important to note that regret is generally experienced when the consumer is exposed to some post-purchase information related to the alternatives (positive information) or the purchased product (negative information). But regretful behavior may also occur if the purchased product fails to live up to the consumer's expectations.⁹

Consumer Behavior

Table 15.1: Post-Purchase Dissonance and Related Examples

Factors Affecting Post-Purchase Dissonance	Purchase Situation	Low-level Dissonance Expected	High-level Dissonance Expected
Attractiveness of forgone alternatives	A woman decides to buy a saree for a function and shortlists three sarees from which to make the final choice.	Out of the three sarees, one is definitely superior in all aspects.	All three sarees are equally good in all aspects.
Difficulty in choosing alternative	A couple decides to buy a sofa set, which looks good and is also comfortable. They choose between two sofa sets.	The sofa set they choose looks good and is also comfortable.	The sofa set they choose is very good to look at but not too comfortable.
Number of alternatives being considered	A teenager decides to buy a new suspense novel.	There are only two novels to choose from in that category.	There are 12 novels to choose from in that category.
Substitutability	A family decides to buy a car.	They have to choose between a small car of a lower price and a big car of a higher price.	They have to choose between two big cars of almost similar prices.
Degree of thought process involved	A boy has to purchase a Friendship Day gift for his best friend.	Though the friend loves all sports, he is very passionate about chess.	The friend has interest in all sports.
Out of the ordinary behavior	A working woman purchases an expensive leather bag for herself.	She has purchased such expensive bags earlier too.	This is the first time she is buying such an expensive bag.
Information available at the time of purchase	A man purchases a shaving gel.	The man has known about the product for quite some time and has confidence in the brand.	The man has not heard about this particular product by this brand.
Expected negative reactions	A young girl purchases a short skirt.	The girl expects no objection from her family.	The girl expects objections from her family.
Knowledge and experience	An office-goer purchases a motorcycle for traveling to office.	The purchase was made after doing a lot of pre-purchase information search and the choice was carefully evaluated before the purchase.	The purchase was made in a hurry, with very little pre-purchase information search & evaluation.

Adapted from "An Experiment on Consumer Dissonance". By: Holloway, Robert J. Journal of Marketing, Jan67, Vol. 31 Issue 1.

Consumers are also likely to regret it if they miss out on a better alternative say, in terms of performance, prices, etc. Consumers can compare the benefits derived from different alternatives in two ways – through upward comparison (comparing actual outcome to a better outcome) and through downward comparison (comparing actual outcome to a worse outcome). Research has also suggested that the degree of regret is negatively related to the degree of satisfaction. As the degree of regret for making a

particular decision increases, the degree of satisfaction with the results of the decision (in this case, the product/brand choice) decreases. In case of upward comparison, consumers feel regretful about their decision, and thus, less satisfied. A stock market investor, for example, who has the choice of buying shares of company A, company B, and company C, decides to buy shares of company A. If after buying the shares, the price of the shares of company B and C increases sharply while that of company A increases only marginally, the investor is likely to be less satisfied with his decision. In the case of downward comparison, consumers feel happy about their decision, and thus, highly satisfied. Taking the same example again, if the share prices of company B and C fall sharply, while that of company A marginally increases, the investor feels quite happy about his purchase decision. Research has also indicated that consumers' decisions are often guided by the urge to reduce the feeling of regret with their decisions instead of increasing the value attained from a product.¹⁰

Post-purchase dissonance can be highly discomfoting for the consumers and obviously, consumers will try to minimize it. To reduce post-purchase dissonance, consumers can even decide to return the product or exchange it for something which they are more confident about.

While experiencing post-purchase dissonance, consumers become extremely aware of the product information; they even actively look for it. Marketers can use this increased receptiveness for product information to address the recent purchasers, to reduce their dissonance, and increase their level of satisfaction by sending thank you notes, such as 'Thanks for choosing us as a part of your family. We are sure that it is the start of a strong relationship between us. We hope to satisfy you in all relevant ways. We would appreciate if you can help us know how we can serve you better.'

Sometimes, the purchase of some products induces 'consumption guilt' among consumers. An obese woman, for example, may like to eat oily food and sweets, but may feel guilty about doing so, due to concern over her weight. While targeting such consumers, marketers of these products can focus on reducing the guilt associated with the consumption, by say, introducing lower calorie versions of the products. An example is Diet Pepsi.

Product Usage

As we have seen in the earlier section, some amount of post-purchase dissonance is always associated with all purchases. However, in the case of extended decision-making, the level of post-purchase dissonance is higher than in the case of habitual or limited decision-making (Refer chapter 13). After a consumer buys a product, he/she may choose to use it or not use it. We will discuss the reasons for both in the following sections.

When product is used

Even though there is certainty of some post-purchase dissonance, this doesn't stop most consumers from using the product. However, the knowledge of how consumers make use of the product is important for marketers. It is important to note here that consumers do not always use the products as the marketers intended them to be used.

Product usage knowledge is, therefore, quite fruitful for marketers, as new uses for the old products can drive up sales and increase the consumer base. The various other uses of the product, other than what the marketer originally intended it for can also add to the value of the product for the consumers. Many food product companies, for example, invite consumers to write about new ways of using their products. This they

Consumer Behavior

do by way of organizing recipe contests, etc, which not only create consumer and brand interaction, but also provide marketers with new methods of using their products. Unintended product usage can also give marketers new product ideas. Colgate-Palmolive, for example, discovered that many women in Columbia were using remains of used soap bars to make a utensil cleaning paste. This gave them the idea for developing a new utensil cleaning product, now known as Axion.¹¹

When product is not used

There are many instances of consumers buying products for their use, but failing to use them, be it the 'cycling machine' or the fancy dress that somehow just wasn't appealing after the very first use. Product nonuse refers to the purchased product not being used at all or being used for a very short duration.¹² It is important to note here that product nonuse doesn't include nonuse due to lifecycle changes (say, a bicycle purchased for a school student in his last year may not be used when the boy is in college) and forced purchase (say, the school uniform) or (and) undesirable gifts (say, a mother buying a dress for her daughter, which the daughter doesn't particularly like, because it is low priced). Research has suggested that price discounts are a very common reason for consumers ending up buying something that they just don't use later.

Marketers often perceive a product purchased as a product consumed. However, as we have seen, this is not always the case. It is highly likely that nonused products will have less repurchases and purchasers may even dissuade others from buying the nonused product.¹³ The purchase of a microwave oven, for example, might have been for cooking purposes, but consumers may end up using it as an expensive food heating device. Marketers, therefore, should also focus on encouraging consumption (say, by suggesting new ways or occasion of use) instead of directing all their resources at only making consumers purchase their products.

DISPOSAL

Disposal of product and/or product packaging can occur any time after the purchase, i.e., before consumption, during consumption, or after consumption. In some cases, however, nothing may be left to be disposed off, i.e., the product may be without any packaging and it is completely consumable, like an ice-cream cone or a sweet 'paan'.¹⁴ The concept of disposal is gaining importance for marketers due to several reasons.

- Consumers are unwilling to dispose off products till the whole value has been extracted by through usage (e.g., unwillingness to invest in a new washing machine when the old one is working perfectly).¹⁵
- Consumers like to dispose off their old products before buying new ones due to storage space (e.g., double bed, sofa set, washing machine, etc.) as well as financial reasons (selling old product and then adding to that money to purchase new product).
- Unorganized second-hand product markets can affect the market for new products.
- There is increasing awareness about environmental issues among consumers, which affects their purchase and disposal decisions (say, using paper bags for shopping, using herbal colors to celebrate 'Holi', using products with recyclable packaging and so on.).

Post-Purchase Behavior

Generally, there are three ways in which a product can be disposed off – retaining the product, temporarily dispose off, or permanently dispose off (Refer Table 15.2 for details on these three ways of disposing off the products). The choice of the way of disposal generally depends on the factors related to the consumer (personality, social status, etc.), factors related to the product (numbers of years used, style, etc.), and situational factors (financial condition, urgency to purchase, etc.).

The understanding of consumers' disposal behavior can be quite useful for marketers in order to know the reasons for product repurchase by consumers. Research has discovered three reasons which induce the consumers to repurchase the product even though the earlier ones are working fine. Consumers may go in for repurchase for certain reasons:¹⁶

- The new version may have extra benefits or features (e.g., buying a new cell phone with multimedia messaging service, while the earlier phone has almost all the features except this one).
- The earlier product, though working, is no longer required (e.g., a television stand may no longer be required in a new home where there is already a showcase with space for the television).
- Product preference has changed with time or the consumer no longer perceives it as suitable (e.g., a housewife who has started working may feel that the old wardrobe may not suit her new role as a working woman).

Table 15.2: Ways of Disposal

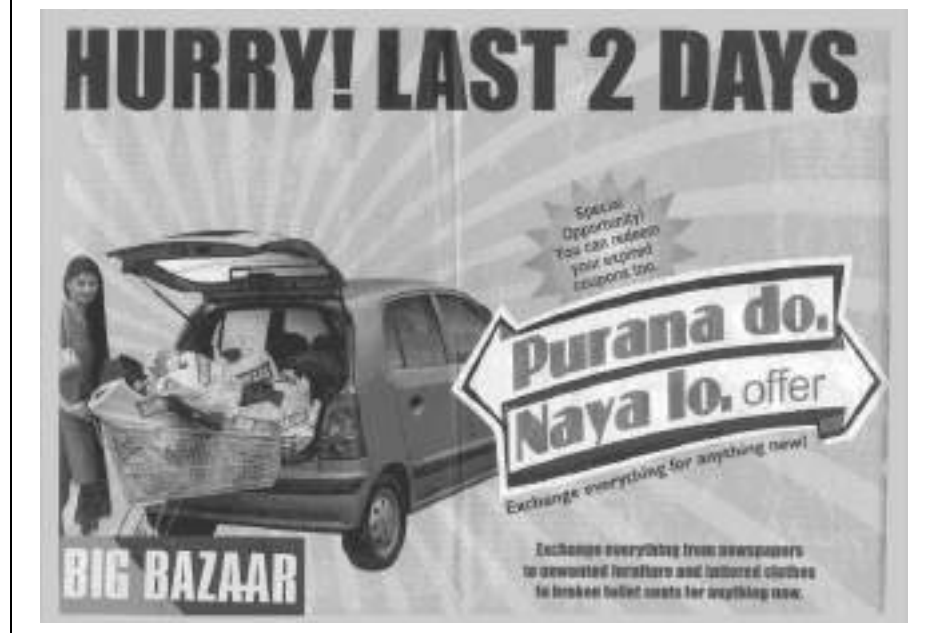
Major Disposal Options	Individual Options	Examples
Do not dispose off		
	Use for different purpose	Using the metal skeleton of an old umbrella for hanging handkerchiefs, dusters, etc.,
	Store for future use	Storing old cassettes for possible future listening
Temporarily dispose off		
	Lend it	Lending one's old books to a neighbor's child for studying
	Rent it	Renting out one's bicycle for a couple of months as one is going out of city
Permanently dispose off		
	Throw away	Throwing away one's old shoes, stationery
	Give/Gift/Donate	Donating one's used clothes at the time of a natural calamity
	Sell	Selling one's used automobile through a middle man or directly to other consumers through classifieds, online auctions, etc.
	Exchange/Trade	Trading old clothes for new utensils, getting discounts on purchases, etc.

Adapted from What About Disposition? By: Jacoby, Jacob; Berning, Carol K.; Dietvorst, Thomas F. Journal of Marketing, Apr77, Vol. 41 Issue 2.

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In India, finding alternative uses for used products is quite popular. A tattered cotton dupatta, for example, can be used as a dusting cloth, while glass as well as plastic bottles are often used for growing plants. Indians also like to store things in anticipation of a future need, be it the wrapping paper of a gift they have received or the cardboard packing of a new TV. Selling of all kinds of household items, old newspapers and magazines, and used clothes, often called ‘raddi,’ is also a popular concept.¹⁷

Illustration 15.1: Big Bazaar’s Exchange Scheme



Some retailers in India are trying to induce the consumers to shop more by running various exchange schemes.

- Big Bazaar has started the ‘purana do, naya lo’ offer, under which people can exchange their old products (newspaper, magazines, tires, electronic items, bottles, iron, utensils, luggage, toys, old clothes, footwear, etc.) for coupons that they can then use to shop again there.¹⁸
- Shopper’s Stop runs ‘The Wardrobe Exchange Offer’ from time to time, under which consumers exchange their old clothes and accessories for discounts on their shopping at the store.¹⁹
- Maruti Suzuki India has set up ‘True Value’ outlets where people can sell their old cars and interested buyers can buy such used cars.²⁰

Illustration 15.2: Maruti True Value



The 'True Value' scheme by Maruti Suzuki not only helps two-wheelers owners to upgrade to cars, it also helps the market for new cars to grow with the subsequent increase in sales as consumers sell their old cars. The same is true of the Shopper's Stop and Big Bazaar schemes; as consumers give up their old products, the coupons in exchange induce them to shop from the particular store. Exhibit 15.1 discusses the case of Baron Group, which identified the consumers' need to upgrade and offered them an exchange scheme through which those who already had televisions could exchange them for new ones.

Exhibit 15.1

Disposing off Old Televisions - The Akai Way

The 5 million unit, Rs.75 billion CTV market is characterized by cut-throat competition, with over 15 major brands competing fiercely against each another. CTV penetration levels in India were extremely low in the early 1990s. This factor, coupled with the proliferation of satellite channels offering incredible choice by way of software, and the large number of brand and model options available, resulted in a compounded growth rate of nearly 28% for the industry over the decade.

Baron entered Indian CTV market in January 1995 with its Akai brand, a late entrant in an already crowded market. It realized that it needed innovative thinking and aggressive selling if it were to succeed in such a market. At the time, Videocon, Onida, and BPL dominated the market, controlling a 75% share amongst them. Baron also knew that the Akai label alone would not attract buyers because there were a host of other players like Sony and Samsung entering the market at the same time.

Besides putting in place a well-developed marketing and distribution network, Baron conducted a careful study of CTV sales, which revealed that of the estimated 1.7 million units that were sold in 1995-96, over one fifth were 'exchange' sales. Also, a major portion of the sales (1.1 million units) was made to people upgrading from a black-and-white to a color model. Based on these findings, Baron decided to build Akai's brand equity on the basis of exchange schemes and attack every possible segment. The group's owner, Mr. Kabir Mulchandani said, "Our targets are the second TV buyer, owners of black-and-white sets who want to upgrade to color TVs and those who want to trade up to a bigger model."

Baron's efforts to comprehend the Indian consumer's psyche resulted in identifying the customer's need for attractive consumer durable replacement offers. The company had already identified that rural consumers were more than willing to own a second-hand television. Baron's exchange schemes were launched with great fanfare all over the country. The television which the urban consumer surrendered in exchange price discounts (approx. 35%) on new television sets were sold by dealers in the rural market. The exchange scheme proved to be such a success that Akai's sales soon jumped from 75,000 to 180,000 and it became the largest selling brand with a 17.7% market share in just four years, reaching the third slot in the market.

Adapted from "Baron -- Rewriting Indian Consumer Electronic Goods Marketing," Case Study, ICFAI Center for Management Research; Dev Chatterjee, "Marketers discover old is still gold, and how," The Indian Express, Monday, June 15, 1998; www.expressindia.com; Sampa Chakrabarty Lahiri, "A Peek into the rural market," Strategic Marketing, www.etstrategicmarketing.com.

PRODUCT/SERVICE EVALUATION AND CONSUMER SATISFACTION/ DISSATISFACTION

The satisfaction the consumer derives from a brand (product, service, retail store, etc.) includes not only the post-purchase performance of the brand, but also variables like the purchase experience at the store, prices, packaging, etc. In the earlier sections, we saw that the satisfaction/dissatisfaction from a brand/product also depends on the performance of forgone alternatives, as perceived by the consumers after making the purchase. However, not all purchases are evaluated at great length post-purchase; habitual and limited purchase decisions are generally evaluated after the purchase only in special circumstances, say, when the consumers confronts a problem with the product. For instance, if we consider a limited purchase decision regarding chocolates, loyal Cadbury consumers in India, for example, became doubtful of the product quality when worms were found in some of the Cadbury's dairy milk chocolates.²¹

The consumer satisfaction or dissatisfaction with the brand is the function of consumers' expectation from the product/service, which may again depend on various factors like past experience with the brand/marketer, promotional messages, quality ratings, price, distribution, etc., and the product performance as perceived by the consumer after the use. Many a time, consumers may buy products from which they don't have high expectations, but the good performance (i.e., performance above the initial expectations) satisfies the consumers. On the other hand, a brand from which consumers have high expectations may fail to perform (i.e., performance below the initial expectations), thus leaving consumers dissatisfied. In some cases, consumers may be neither satisfied nor dissatisfied with the brand's performance (i.e., performance at par with initial expectations), but 'non-satisfied.' It is important to note that non-satisfied consumers tend to have neutral feelings about the brand and therefore, have an equal probability of switching to other brands as compared to brand repurchase, i.e., repeat purchase of the existing brand. We can explain the same as follows:

- Perceived Performance > Minimum Desired Expectations = Consumer Satisfaction
- Perceived Performance < Minimum Desired Expectations = Consumer Dissatisfaction
- Perceived Performance = Minimum Desired Expectations = Consumer Non-Satisfaction

Pre-purchase consumers' product performance expectations generally serve as a standard for post-purchase comparison, which the consumers use to evaluate the product/service performance against other forgone alternatives.²² In this evaluation lies the basis of consumer satisfaction or dissatisfaction. Services are intangible; therefore, the issue of service quality increases tremendously as compared to tangible products, as it is the basic criterion for adopting or rejecting a service/service provider. (See Exhibit 15.2 for consumer service at Marriott group.)

Service quality is "the degree and direction of discrepancy between consumers' perceptions and expectations in terms of different but relatively important dimensions of the service quality which can affect their future behavior." Consumers have two expectation levels – desired ('should do') and acceptable ('would do'). The difference between these two is known as 'zone of tolerance.' It is "the area between a consumer's 'adequate' (would) and 'desired' (should) service expectations, revealing that consumers assess service performance against two standards: what they desire and what they feel acceptable and that a zone of tolerance separates desired service from adequate service."²³ In case the service levels fall below the 'adequate' service expectation levels, it becomes more likely that the consumer will switch to another brand. Following are some of the major reasons for consumers to switch to other brands in service industries:²⁴

Exhibit 15.2

Consumer Service at Marriott's

Headquartered at Washington in the US, Marriott International (Marriott) is a world leader in the hospitality industry. In 2003, it had a network 2,600 operating units in the US and a workforce of 145,000 employees spread over 65 countries across the world. Marriott's diverse portfolio of popular hotel brands include leading brands such as Marriott, JW Marriott, Renaissance, Ramada International, Courtyard, Residence Inn, and The Ritz-Carlton.

Since its inception, Marriott has focused on providing excellent customer service. The company offer personalized services to its clients, whom it refers to as its 'guests.' It introduced several innovative technologies and implemented them even before its competitors did. For instance, in the 1980's, the company launched Marriott Automated Reservation System for Hotel Accommodation (MARSHA), a totally new concept of hotel reservation in the hospitality industry at that time. Apart from reservation and hotel portfolio information, the website had some unique features like 'Meeting Planner' and 'Travel Agent' sections. The 'Meeting Planner' section targeted business customers who conducted frequent meetings. These clients could book a minimum and maximum number of guest rooms and meeting rooms of different capacities in different areas. They could also make enquiries about the availability of golf courses and voicemail facilities. The 'Travel Agent' section was targeted at travel agents, providing them with the required information regarding codes of different hotels and their respective queues so as to enable the booking of accommodation through the major travel reservation networks. The user-friendly website provided great convenience to all Marriott customers - tourists, business customers and travel agents.

Marriott has been making continuous improvements in its business processes in its efforts to 'delight' its customers. In 1998, the company adopted an e-business strategy aimed at transforming itself from a property-focused to a customer-focused company. It invested \$70 million (mn) over a two-year period to implement a variety of IT applications in diverse functional disciplines such as sales, accounting and personnel. Previously, Marriott measured its financial performance on the basis of the revenues earned for each of its individual properties. The e-business strategy emphasized increasing revenues earned per customer. The four key objectives of the e-business strategy included serving customers proactively, personalizing the service offerings according to the needs and preferences of the customers, enhancing brand loyalty and awareness, and cross-selling.

A key component of Marriott's e-business system was its CRM applications, developed in association with the leading CRM software company – Siebel Systems. By installing eCRM applications, Marriott was able to offer several new services that enhanced its hospitality services. The company's website, www.marriott.com, became one of the most frequently visited sites in the hospitality industry, giving clients access to the services offered by the entire Marriott chain of hotels and resorts. All these initiatives boosted the company's ability to serve its clients, and also contributed to its own strong financial performance. For the financial year ending 2001-02, the company reported revenues of \$84.41 billion (bn) and a net profit of \$2.77 bn.

Source: "Marriott's Customer-Focused E-Business Strategy," Case Study, ICFAI Center for Management Research.

- Failure of main service (e.g., service failure, errors in billing, etc.)
- Service encounter failure (e.g., behavior of service provider's employees -- impolite, etc.)
- Pricing (e.g., deceptive pricing, unfair price increases, etc.)
- Lack of convenience (e.g., change of location of consumer/service provider, long waiting periods, etc)
- Employee responses to service failure (e.g., no response, reluctance to give proper reasons, etc.)
- Attraction by competitors (e.g., better prices, better service, etc.)
- Ethical issues (e.g., unsafe and unhealthy services, etc.)

Consumer Behavior

Research has indicated that waiting time is another variable which influences consumers' purchase experience, thereby adding to consumer satisfaction or dissatisfaction; longer the waiting time, larger the addition to dissatisfaction. It is important to note here that the waiting time can occur before, during, or after making a purchase and can stretch from a few minutes to months.²⁵

Consumers' dissatisfaction with services also increases with unwarranted service delays due to factors which consumers perceive to be completely avoidable. To counter this negative experience, many marketers in the West (e.g., Xerox, FedEx, etc.) are opting for 'guaranteed service' strategy, with some terms and conditions. This not only reduces consumers' risk but also communicates the willingness of the marketer/service provider to handle consumer issues.²⁶ In India, the most striking example is that of Domino's, which guarantees to deliver a pizza in 30 minutes failing which it promises to give it free.

Illustration 15.3: Express Delivery Service by Domino's



Consumer Complaint Behavior

Consumer complaint behavior has been defined as “an action begun by the individual who entails a communication of something negative to a product (service), either towards the company or towards a third entity.”²⁷ Dissatisfied consumers can choose to ignore the low level of product performance/poor service, or they can choose to take some action which can include:

- Complaining to the marketer/service provider,
- Returning the product or cancel the service contract,
- Boycotting the brand/store,
- Warning their friends and associates of poor quality of product/service,
- Complaining to relevant government/private consumer bodies, or
- Taking legal action.

Post-Purchase Behavior

Researchers have categorized dissatisfied consumers into four groups:²⁸

- **Passives:** This group is not likely to take any action against poor quality of product/service.
- **Voicers:** This group is very likely to complain to the marketer/service provider for the poor quality of product/service.
- **Irates:** This group is quite likely to spread negative word-of-mouth against the marketer/service provider by way of warning their family, friends, peers, etc.
- **Activists:** This group is highly likely to boycott the brand/product/service, complain to the marketer/service provider and government or consumer bodies.

Dissatisfaction and subsequent consumer complaints are at times associated with the false promises which marketers make in their promotions, which increase the consumers' pre-purchase expectations. To reduce consumer dissatisfaction, marketers should try to encourage reasonable expectations and focus on delivering products that are at least on a par with industry standards. Research suggests that consumers, often, consciously lower their performance expectations, which vary from consumer to consumer, from a product to get more satisfaction.²⁹

In case consumers do complain, marketers must look at it as an opportunity to improve the consumer experience and instead of trying to deliver 'consumer delight' on an everyday basis, they can delight them by taking prompt corrective actions in response to their complaints, appreciating their feedbacks, or by going out of the way to fulfill their occasional requests.³⁰ To profit out of consumers' complaints, marketers must try to have proper consumer complaint processes in place. Many marketers are identifying consumer complaint processes as an added advantage in their product/service offerings.³¹ Proper complaint handling thus tends to increase the consumers' confidence in the marketer, and this helps in consumer retention, as it is now a well-accepted fact that it costs five times more to attract new consumers than to retain existing old ones.³² Marketers often fail to anticipate problems associated with the product performance and many refuse to recognize the problem, despite the consumers' complaints, thus increasing consumers' dissatisfaction and the probability of their switching over to competitors' products. For example, in 1994, Intel failed to acknowledge a problem with its chips, despite consumers' complaints. However, after tremendous negative publicity, the company agreed to exchange the faulty processors.³³

Satisfaction and Brand Loyalty

Marketers like Pizza Hut are actively asking consumers about their latest visit there and the problems they faced, if any.³⁴ Similarly, many other marketers are seeking information on consumer satisfaction. Observers, however, believe that marketers often confuse satisfaction with repurchase intention and consumer loyalty toward the product. On the contrary, research has shown that even satisfied consumers are quite likely to switch to other brands in search of better alternatives, while in some cases, dissatisfied consumers make repeat purchases due to lack of better alternatives or high switching costs (i.e., "the cost of finding, evaluating, and adopting another solution"³⁵). It has been observed that consumer loyalty toward a brand is not related to satisfaction but to service quality, as service quality perceptions of the consumers are better indicators of the problem are as that marketers need to improve.³⁶ Marketers must, therefore, focus on total consumer satisfaction, instead of feeling relieved with mere satisfaction and repurchase intention. Xerox, for example, discovered in its regular researches, that consumers who are totally satisfied with Xerox products are six times more likely to repurchase Xerox, as compared to merely satisfied consumers.³⁷

Consumer Behavior

Brand loyalty or consumer commitment, however, is different from consumer satisfaction. Brand loyalty has been defined as “a biased (i.e., non-random) behavioral response (i.e., purchase/recommend) expressed over time by a decision-making unit with respect to one or more alternative brands out of a set of such brands that is a function of psychological (decision-making, evaluative) processes.”³⁸ It is important to note that brand loyal consumers are not those who just like a brand, but those who have an emotional association with the brand that leads them to make repeated purchases over a period of time.

Brand loyal consumers are an asset to the marketer due to the following reasons:

- They are unofficial brand ambassadors, who spread positive word-of-mouth among their family, friends, and peers.
- They are also less likely to switch even in case of product/service failure³⁹ and promotional offers by competition.
- They provide a ready market for extensions under the same brand.

It is however, important to note that in the case of commodity type products where there is little scope for creating a distinctive image, focus on continued satisfaction is the key rather than looking for brand loyalty, as in the case of say, mobile service providers.

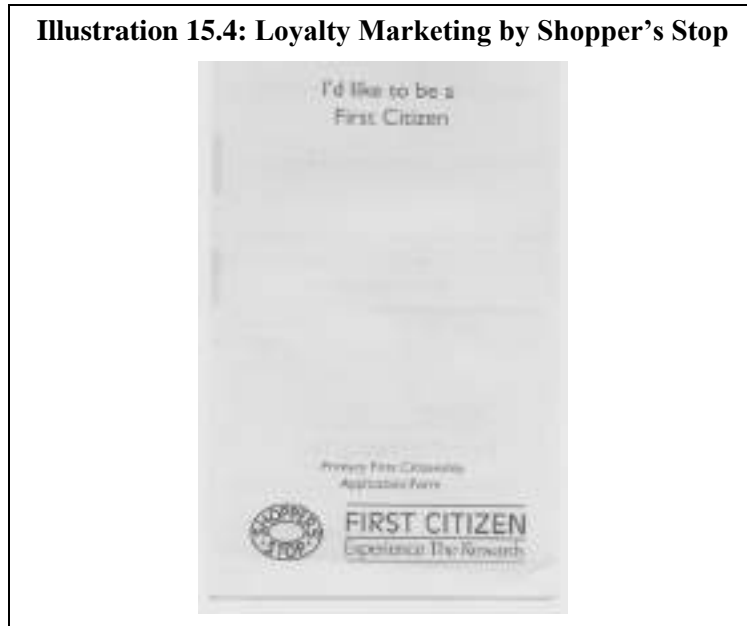
Loyalty Marketing

It is a widely known fact that 20% consumers give 80% business to firms.⁴⁰ More and more marketers are, thus, focusing on retaining their regular top spending consumers. Marketers are also realizing the importance of retaining their existing consumers as defectors will make acquisition of new consumers ineffective. As a response to this issue, marketers often turn toward loyalty marketing.

Loyalty marketing has been defined as “the practice of identifying best customers and engaging them in a relationship through event-driven retention tactics over a period of time.”⁴¹ Loyalty programs not only give incentives to frequent purchasers to purchase more, they also serve as a tool to take care of their most valuable consumers (frequent purchasers with high bill value per purchase). Till a few years ago, loyalty programs in India were associated with large format stores, airlines, or credit card companies. Recent years have seen car manufacturers, coffee parlors, etc., joining the fray. Some examples:⁴²

- Ford India has started its ‘Ford Car Gainz’ loyalty programme, which focuses on increasing brand loyalty among current Ford owners.
- Purvankara, a real estate group based in Bangalore, has started ‘Purva Privileges’, under which it not only helps its consumers (flat purchasers) with the registration and documentation, but also gives them discounts on products like fans, fittings, lights, etc., along with helping them with payments of their electricity and phone bills.
- Ansal Plaza, the first mall in Delhi, has launched the ‘Ansal Plaza Privileges Program’ to increase loyalty toward the mall.
- A surprising loyalty program has been initiated by the Delhi-Noida-Delhi toll bridge, through which consumers can redeem points at select outlets in Delhi and Noida.

Illustration 15.4: Loyalty Marketing by Shopper's Stop



There are different views on consumer satisfaction and delight as well, as some researchers believe that marketers should identify and categorize their consumers with different satisfaction-dissatisfaction threshold limits and satisfy them on the basis of that instead of treating all consumers alike.⁴³

Therefore, before jumping on to the loyalty programs bandwagon, marketers must ensure that they carefully plan the endeavor, taking into account factors like profitability for consumer as well as marketer, achievability of rewards, simplicity of scheme, etc.⁴⁴

SUMMARY

Post-purchase behavior involves all the consumers' activities and the experiences that follow the purchase. Usually, after making a purchase, consumers experience post-purchase dissonance. In other words, they regret their purchase decision. The reasons for high post-purchase dissonance can be attractiveness and performance of forgone alternatives, difficult purchase decision, large number of alternatives, etc. A high level of post-purchase dissonance is negatively related to the level of satisfaction the consumer draws out of product usage.

While experiencing post-purchase dissonance, consumers become acutely aware of the marketers' communication. To reduce post-purchase dissonance, consumers may sometimes even return or exchange the product. Marketers, therefore, can use these opportunities to reduce consumers' risk perception by way of good return/exchange policies and reduce their post-purchase dissonance by messages targeted at this segment of their consumers.

Despite post-purchase dissonance, many consumers proceed with consumption of the product. How consumers use the products is an important knowledge source for marketers, as they can offer better products and reach more consumers based on these consumer usage patterns. In some cases, however, consumers initially use the product but after a period of time fail to do so. Marketers, therefore, should not consider a product purchased as a product consumed. A non-used product is also more likely to affect the repurchase pattern of the consumers negatively.

Consumer Behavior

Consumers need to dispose off the products or packaging before, during, or after the use. The issue of disposal is gaining considerable importance for marketers as it directly affects the repurchase pattern of the consumers. As more and more products are consumed and disposed off, it is likely that repurchase will also be more. Many a time, consumers cannot repurchase without disposing off the product first, due to space and financial constraints. Thus, many marketers, especially retailers, are helping consumers to dispose off their old products. This not only gives consumers a reason to repurchase but also increases marketers' sales. The disposal options the consumers have are – keep the product, temporarily dispose off, or permanently dispose off.

Product use/consumption is followed by its evaluation, which may then lead to satisfaction (perceived performance > minimum desired expectations); non-satisfaction (perceived performance = minimum desired expectations); or dissatisfaction (perceived performance < minimum desired expectations). Consumer dissatisfaction may result in complaint behavior. Consumers may choose to take action against the marketer/service provider by way of warning friends, returning the product, boycotting and brand switching, complaining to the marketer, complaining to the relevant government/non-government bodies, and/or taking legal action against marketers/service provider. Marketers should try to use consumer complaints as a way of assessing their performance as perceived by their consumers and should use this opportunity to delight them by showing their commitment to consumer service.

Many marketers are actively seeking consumer feedback to improve their products and service quality with a view to retaining their existing consumers and attracting new ones. They have identified consumer retention as a major concern, as research has shown that even satisfied consumers can't be termed as loyalists and often switch to competing brands to get a better deal. Marketers thus, have identified the quality of product and service as the parameter to evaluate consumers' intention to repurchase instead of their level of satisfaction. Only totally satisfied and committed consumers are recognized as brand loyalists. Brand loyal consumers not only spread positive word-of-mouth for the brand but are also less likely to switch to other brands.

Marketers are increasingly indulging in loyalty marketing to increase consumer retention, with various schemes and discount offers for their high value regular consumers. However, many observers believe that these kinds of tactics, if not implemented properly, can fail to deliver what they initially promised, resulting in frustrated consumers. Others also believe that marketers should classify their consumers on the basis of their satisfaction thresholds and then treat each group differently.

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Chapter 16

Organizations as Consumers

In this chapter we will discuss:

- Nature of Organizational Buying
- Organizational Buying Process
- Factors Influencing Organizational Buying Behavior
- Segmenting Business Markets

Consumer Behavior

In the fiscal year 2002, U.S.-based Oracle Corporation (Oracle), the world leader in enterprise software, earned USD 9.7 billion through government sales, which is about 25% of its total revenue. Oracle is currently the largest provider of software to the U.S. government, with important departments like those of defense, health, energy, and transportation as its federal clients. A large section of its workforce, i.e., around 1000 employees, which includes many ex-military personnel also, concentrates only on government products and services. As security is a major concern, especially in the case of government systems, Oracle has achieved National Security Telecommunications Information Systems Security Policy (NSTISSP) certification. NSTISSP is an independent measure of assurance of security of the products supplied to federal clients.

It is important to note that the U.S. government spending on IT is expected to reach USD 68.2 billion by 2008.¹

The above illustration of business to business (B2B) sales signifies the growing opportunities in business markets as well as the willingness of business marketers/suppliers² to meet the needs of organizational buyers (here, the government) more effectively. The aim of this chapter is to understand organizational buying behavior and to see how marketers use this understanding to effectively market products and services to such buyers.

In this chapter, we will study the nature of organizational buying, the buying process, and the factors affecting it, both internally as well as externally. We will also briefly discuss the segmentation of business markets.

NATURE OF ORGANIZATIONAL BUYING

Organizational buying is “the decision-making process by which formal organizations establish the need for purchased products and services and identify, evaluate, and choose among alternative brands and suppliers.”³ Many marketers such as Tata Steel⁴ or Sundaram Fasteners Ltd.⁵, specifically target business markets, while some others like Godrej’s Furniture⁶ and Hallmark cards Inc.⁷, target both the individual consumer market and business market.

The organizational buying process (discussed in the next section) generally goes through almost similar phases as an individual consumer or a family does – need recognition, specifications’ definition, search for suppliers, proposals’ evaluation, supplier selection, and post-purchase behavior. However, organizational decision-making is different from household decision-making in more ways than one. (Refer Table 16.1).

Table 16.1: Organizational Decision Making vs. Household Decision Making

Organizational Decision Making	Household Decision Making
Clear purchase objectives and rational decision-making.	No clear purchase objectives and involves decisions based on emotions and moods.
The purchase decision-makers are not necessarily known to the rest of the organization and these decisions may not even matter to most of the employees of the organization.	The purchase decision-makers are the members of the family and are known to each other and have a common pool of resources; thus, purchase decisions impact the whole family.
Organizations generally maintain strong business ties with their suppliers and many even help their suppliers source material to deliver products specifically as the organization needs.	This is not the case in family purchase decisions.

Organizations as Consumers

Organizational purchase decisions are usually made with the sole purpose of acquisition.	Many family purchase decisions are not made with the sole purpose of acquisition; it involves the pleasure of ownership, emotions, social status, etc., say in the case of luxury products, art pieces, etc.
Organizational buying generally consists of bulk purchases of products and services and involves large sums of money, as for example, buying office stationery for a staff of 100 to last a month.	Household buying is usually in small quantities, but even if it is in bulk, the quantities and money involved are nowhere near what organizational buying entails.
Organizational purchasing is generally done by an employee/agency who has expertise in the area and who is formally authorized to do so, keeping in mind the organizational needs and business policies.	Household purchasing is generally done by only family members. only. In some special cases, the help of surrogate buyers may be sought.
The organizational purchase pattern is not affected by changes in the price of goods and services to a great extent. Unlike household purchases, organizations generally don't block their resources to stock up raw material when prices are low or curb buying if it becomes a bit costly, in the absence of a substitute.	Household buying is generally affected by the changes in the prices of goods and services.
Organizational demand for goods and services is derived from end-consumers' demand; thus, a slight change in consumers' demand or a forecast of the same can increase the organizational demand for goods and services manifold.	Household demand for goods and services is for final consumption.
The number of people who directly or indirectly influence the purchasing is larger than in the case of household purchase decisions.	The number of people influencing the household purchasing decisions is limited to family, friends, and acquaintance.
Organization purchasing generally doesn't involve many middleman and direct purchasing from suppliers is generally preferred.	Between manufacturer and consumer, a number of middlemen, like distributors, wholesalers, and retailers, come into the picture.
Organizations often indulge in reverse buying, i.e., two organizations buying from each other. A furniture company, say company A, buys upholstery from another company, say company B, who in turn buys furniture for its offices from company A.	No such buyer-seller relationship in case of family buying decisions.

Adapted from Del I. Hawkins, Roger J. Best, and Kenneth A. Coney, "Consumer Behavior, Building Marketing Strategy," Tata McGraw-Hill, 2003, 680; Philip Kotler, "Marketing management," Prentice-Hall, 42nd Printing, 10th Edition, The Millennium Edition, 192-194.

Organization's Business Center

Organizations generally have a buying center or a decision-making unit, which consists of "all those individuals and groups who participate in the purchasing decision-making process, who share some common goals and the risks arising from the decisions."⁸ Table 16.2 discusses various organizational purchase roles. Relevant departments can directly or indirectly influence the purchase decisions in large and well-structured organizations as compared to smaller and more informal organizations. Thus, these decisions may even be made by one person, depending on the organizational structure or the nature and situation of purchase.

Consumer Behavior

While taking major organizational decisions, organizations generally encourage the participation of representatives from all relevant functional divisions. While deciding on purchase of medical equipment, for example, the doctors in a hospital (users) may try to influence the purchase department (buyers) to purchase equipment that is safe and reliable, while the hospital administration (deciders) may try to influence the purchase department to buy equipment that is cost effective.

It is important to note that the degree of influence that an employee can exert depends on his knowledge and expertise in the area relevant to the purchase as well as his/her formal or informal authority, and personal influence over others in the organization.⁹ For example, based on the power of his knowledge and expertise as well as informal authority and power due to workers' support, a union leader might be able to influence the purchase of a specific machine, which he knows is safe for the workers to operate.

Another thing to note is that role players can change depending on the stage at which the proposed product is. In the case of a new industrial innovation, for example, the adoption decision might involve the senior management, research and development department, and in special cases, even involve outside consultants; in the case of a widely accepted product, however, the decision might involve just the middle level management.

Table 16.2: Organizational Buying Roles

Buying Role	Description	Example
Gatekeepers	Those who have the authoritative power to decide what goes in the business center.	A business development executive (BDE) of a computer software company approaches the office of a retailer who is developing a chain-store model. The secretary (<i>gatekeeper</i>) of the purchase manager decides to let the BDE meet the purchase manager as the company that he represents is quite well known.
Initiators	Those who initiate the idea of purchase; may or may not be part of the organization.	The BDE (<i>initiator</i>) meets the purchase manager and explains to him about their various software offerings for growing retailers that can help integrate all the buying and selling of the retailer across all the stores. Sensing a great opportunity in the purchase, the purchases manager talks to others in the company and calls for a meeting with the software company's regional sales head and product development and implementation head.
Influencers	Those who directly or indirectly influence the purchase decisions by providing relevant information and suggesting relevant criteria for evaluation of alternatives.	The purchase manager introduces the software company's regional sales head (RSH) and the product development and implementation head (PDIH) to the company chairman, president, finance head, sourcing head, and sales head (<i>influencers</i>). The RSH gives them a presentation regarding the benefits of some of its most popular products in the retail sector, which is followed by the explanation of the implementation by PDIH.
Deciders	Those who are formally authorized to make the final choice from the available alternative.	After internal discussion among the top management, the company chairman and president (<i>deciders</i>) decide in favor of a particular offering by the software company, which they feel will best meet the current and future needs of the company.

Organizations as Consumers

Buyers	Those who are formally authorized and directly responsible for making the purchase and contractual documentation with the supplier.	The purchase manager (<i>buyer</i>) formally negotiates the purchase and after-sales service's terms and conditions as well as the effective price of the product.
Approvers	Those who approve the purchase proposals made by deciders/buyers.	The final purchase proposal is approved by the president (<i>approver</i>) of the company and the product is purchased.
Users	Those who use the purchased material and services.	As the infrastructure and implementation work is going on, the company sends its staff (<i>users</i>) for training with the software company as agreed under the terms and conditions.

Adapted from Keith Blois, Bernard Cova, and Robert Salle, "Organizational Buying Behaviour," Oxford Textbook of Marketing, 2000; Philip Kotler, "Marketing Management," Prentice-Hall (42nd Printing, 10th Edition, The Millennium Edition, 1996.

Organizations' Buying Situations

There are three buying situations with respect to an organization – straight rebuy, modified rebuy, and new task. These situations are quite similar to the consumer buying decisions we studied in Chapter 13 (consumer decision making), i.e., habitual, limited, and extensive decision-making situations.

Straight rebuy

These kinds of buying situations are quite simple and generally involve repurchases of goods and services which are used on a regular basis for the day-to-day working of an organization, as, say, in the case of monthly supplies of chemicals for the R&D department of a pharmaceutical company. Usually, supplies as well as the suppliers remain the same and the purchasing organization need not go through the process of thinking about the quality, quantity, or other terms of purchase each time. Very few people are required to make the decision in such a situation and if automated reorder systems are used, then one, or not even one, person is necessary. In such a situation, new suppliers have little chance of entering the picture as the buyer and supplier relationship is stable.

Modified rebuy

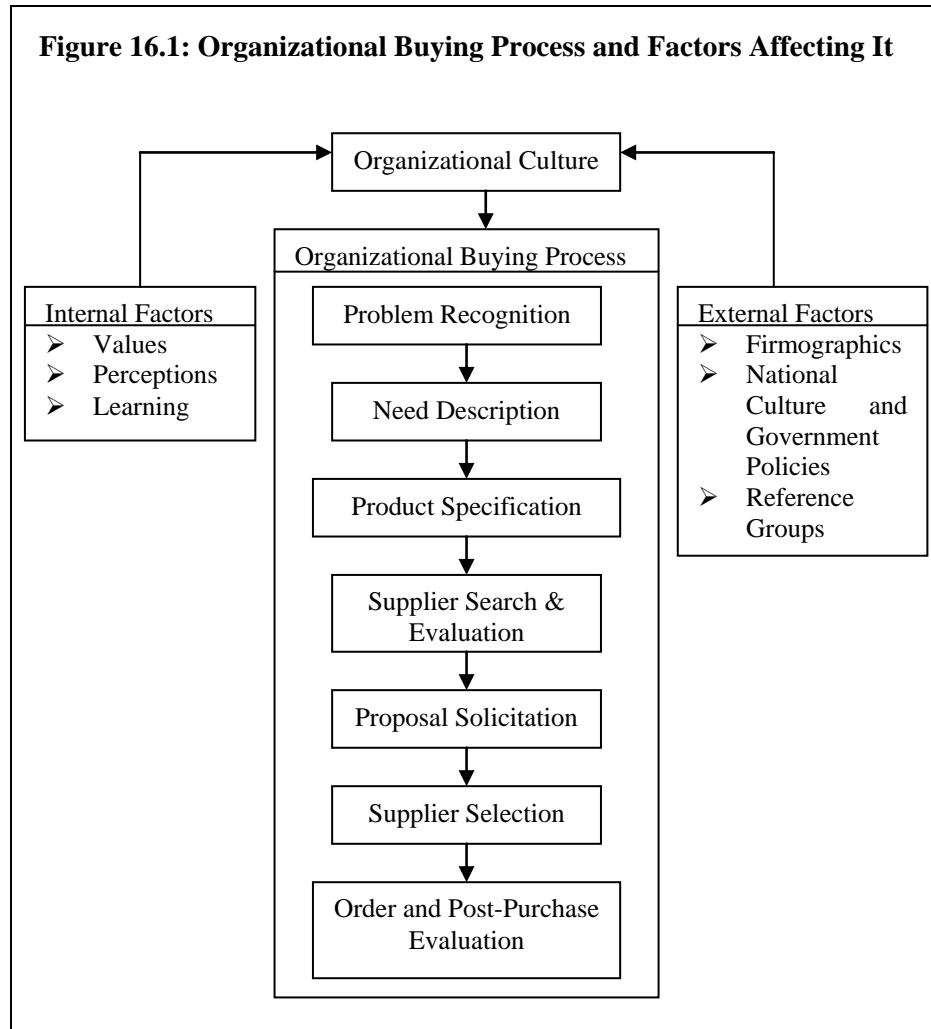
These kinds of buying situations are somewhat complex and require rethinking with respect to various aspects of the purchase like quality, quantity, time of supply, prices, and/or other terms of purchase. This can happen because of a change in needs or preferences of the buying organization as well as changing market realities. As the decision grows in complexity and importance, the number of people involved in the decision also increases. In such a situation, new suppliers have a better chance of convincing the organization that they can meet its changed needs better.

New task

These kinds of buying situations are very difficult and complex and involve a completely new product to be purchased. The lack of knowledge or experience of the organization with respect to the product leads to the participation of a large number of people from various technical and non-technical departments of the organization. As the costs and risks involved are high, as, say, in case of computerization of a bank, the time involved in taking the decision also increases.

ORGANIZATIONAL BUYING PROCESS

The organizational buying process is quite similar to the consumer or family buying process; but where the consumer buyer process involves six basic steps (problem recognition, information search, evaluation of alternatives, purchase decision, product usage, and post-purchase evaluation), there are eight steps in the organizational buying process, with reference to a new task. These steps are problem recognition, need description, product specification, supplier search, proposal solicitation, supplier selection, order, and usage and performance evaluation.¹⁰ Let's discuss each briefly.



Adapted from Del I. Hawkins, Roger J. Best, and Kenneth A. Coney, "Consumer Behavior, Building Marketing Strategy," (Tata McGraw-Hill, 2003), 679; Philip Kotler, "Marketing management," Prentice-Hall, 42nd Printing, 10th Edition, The Millennium Edition, 203-208.

Problem Recognition

An organization can face a lot of problems on a day-to-day basis. From problematic machinery to poor quality of packaging to expensive raw material, the organization's buying process is initiated by either internal stimuli or by external stimuli such as introduction of better technology at lower cost. Apart from the usual approaches like

direct mail, direct marketing, etc., marketers can also initiate problem recognition by inviting their potential buyers to major trade shows in which they are participating. It makes sense to target these marketing efforts at the purchases manager or the top management.

Need Description

After problem recognition, the organization determines what it needs in the new product. For example, better efficiency, reliability, less maintenance, and excellent after-sales service, might be some of the things an organization may look for while thinking of purchasing new machinery. The participants at this stage may increase, depending on the complexity or cost of the purchase. So while preparing a need description, the purchases manager may also ask for the opinion of the users as well as other technical people in the organization.

Product Specification

After need description, the organization prepares the specification of the product. In the garment industry, for example, the buying organization prepares the technical specifications of the garment it needs, which includes accurate measurements of the end product, the quality of the fabric to be used, the type of accessories to be used, the color fastness, tensile strength, etc. Buying organizations can also prepare a product-value analysis to reduce the cost of the product. Product-value analysis is “an approach to cost reduction in which components are carefully studied to determine if they can be redesigned or standardized or made by cheaper methods of production.”¹¹ The organization can, thus, form a product-value analysis team that will help in better meeting the needs of the organization.

Supplier Search and Evaluation

After preparing product specifications, the organization searches for suppliers who will be able to deliver the product as per its specifications. This it does through the Internet, trade shows, existing suppliers of the organization, trade journals and magazines, etc. Trade India (www.trade-india.com), for example, provides a listing of numerous Indian manufacturers specializing in various products. The organization shortlists a few suppliers on the basis of their reputation in the market and manufacturing capability in the relevant area (ascertained by visiting the manufacturing units).

Proposal Solicitation

After the initial search and evaluation of the shortlisted suppliers, the organization invites proposals from them, based on which it again shortlists some of them and asks these suppliers to present their proposals to the relevant people in the organization. This might happen more in the case of highly complex products and/or a big order. This may also happen in the case of highly technological products, which can further complicate the selection process due to rapid technological obsolescence, which results in less supplier experience in the new technology.¹²

Supplier Selection

Based on its requirements, the organizational buyer ranks the final list of selected suppliers such as say, skill set, raw material sourcing capability, quality control, delivery time, price quoted, etc., and then selects the top ranker. It is important to note that the different supplier attributes may be of varying importance for buyers,

Consumer Behavior

depending on the nature of purchase. For example, after-sales service and warranties may be important selection criteria for electronic products. Often, various people within the organization try to influence the selection of suppliers, and this makes the final selection more difficult.

It is important to note that as the awareness among consumers about environmental issues increases, organizational buyers need to be careful in selecting suppliers who are socially and ethically compliant.¹³ Organizations also need to adhere strictly to ethical practices, like saying no to child labor and labor discrimination, providing proper facilities for labor, not having forced overtime, etc.

Purchase price is often considered an important factor and it greatly influences the supplier selection. Many suppliers, however, are trying to make organizational buyers aware of the fact that a lower price doesn't give more value. Value, in terms of organizational buying, has been defined as "the worth in monetary terms of the technical, economic, service, and social benefits a customer company receives in exchange for the price it pays for a market offering."¹⁴ (See Exhibit 16.1 for supplier selection at Xerox.)

Exhibit 16.1

Supplier Selection at Xerox

Xerox has stringent guidelines suppliers must follow to get the bulk orders of the international photocopier giant. An ISO 9000 certification is the minimum requirement suppliers must have even to be considered for the order. The suppliers, then, have to participate in the 'Xerox multinational supplier quality survey,' in which they are evaluated by the purchaser on the basis of some parameters like quality management, purchased material control, plant optimization, etc. On successfully meeting the various minimums, they qualify for the 'continuous supplier involvement process,' in which they work with Xerox to achieve the product specifications. Apart from this, the suppliers have to undergo a quality training program and their performance is evaluated on the basis of the criteria laid down by 'Malcolm Baldrige National Quality Award.'

Very few suppliers are able to meet the stringent quality guidelines laid down by Xerox. While these guidelines are stringent, it is beneficial for the suppliers as well as Xerox to follow them. Suppliers not only get substantial business from Xerox, but strict quality adherence improves their overall efficiency and substantially improves the productivity of the units. For Xerox, the certified suppliers not only provide them with quality products at comparatively lower cost, but also stay with them for a longer period of time as compared to the uncertified suppliers. Apart from these benefits, Xerox also gets better delivery services.

Adapted from Susan Avery, "Xerox winners exceed ISO 9000," Purchasing, 1/12/95, Vol. 118 Issue 1.

Order and Post-Purchase Evaluation

Post-selection, all the documentation takes place and all the terms and conditions are formally negotiated. The selected supplier(s) is/are formally told of the quantity, delivery schedule, product specifications, payment mechanism, product packaging, etc. Similar to the post-purchase behavior of the end-consumer, organizational buyers also use the products and may or may not be satisfied with the performance of the product. Suppliers are thus increasingly focusing on customer service. Moreover, business marketers are increasingly using customer information to provide better services. At Otis (known for its elevators and escalators), for example, each complaint regarding failure of an elevator is promptly handled with the help of an integrated customer database, which provides the complete history of the customer's relationship with the company and previous repairs. With the help of this database, customer service representatives are able to give the required details to the repairman.¹⁵

FACTORS INFLUENCING ORGANIZATIONAL BUYING BEHAVIOR

Organizational buying behavior is greatly influenced by the culture of the organization, which, in turn, is based on various internal (values, perceptions, and learning) and external (firmographics, national culture and government policies) factors. Organizational buying behavior is also influenced by reference groups.

Internal Factors

Some important internal factors influencing the organizational culture are values, perceptions, and the learning of the organization.

Values

Like end-consumers, organizations also have different values and suppliers must understand these to be able to establish long-term relationships with the organization. An innovation-led organization, for example, may promote values like risk-taking, hard work, vision, and quick decision-making. In such an organization, change may be seen as a way of life. It is more likely that buying organizations will be interested in a long-term relationship with suppliers that share similar values.

Perception

Similar to consumers, organizational buyers also have collective memory where perception with respect to suppliers is formed. Brand building in business markets is as important as in consumer markets.¹⁶ However, business marketers tend to focus on product attributes instead of creating a brand image in the highly crowded and primarily undifferentiated B2B market. Brand positioning in B2B markets, as in the case of consumer markets, can help in product differentiation.¹⁷ Thus, suppliers should not ignore brand building as a concept associated with only the end-consumers' market as the purpose -- that of influencing decision-makers -- remains the same.¹⁸ It is important to note that the size of the advertisement and frequency of repetition are also important factors that positively influence the image of the business marketer as well as the business marketer's brand. Business marketers must also focus on direct marketing efforts through salespersons, as it is an important step toward relationship building between the business marketer and the potential buyer.

It is important to note that organizational buyers have risk perceptions similar to the end-consumers, as organizations comprise people and people take decisions on behalf of the organization. Decision-making, by its very nature, makes decision-makers accountable for their decisions and actions performed and this leads to risk perception. Some of the factors affecting the buying organization's risk perceptions are the demographic profile of the buyer, the nature of purchase (new task, modified rebuy, straight rebuy), the relationship between supplier and the buyer, and the existing market conditions.¹⁹

Learning

Continuous organizational learning is often regarded as an important way to improve the organization's performance.²⁰ A learning organization is "an organization skilled at creating, acquiring, and transferring knowledge, and at modifying its behavior to reflect new knowledge and insights."²¹ Marketers realize the importance of making their organization a learning organization; however, not many are aware of what it actually entails. Learning organizations not only work toward attainment of market knowledge, they are also quite open about challenging long-held assumptions. New ideas, new approaches are experimented with and employees are given the freedom to think before acting. An organization can continuously learn from its buyers, from past successes and failures, and even from others by way of industry benchmarking.

Consumer Behavior

International business marketers are also increasingly focusing on knowledge sharing as an important organizational activity and are forming international forums for the purpose. An example is the International Consortium Program (ICP) formed by ABB, Tata and ABN Amro bank²².

External Factors

The external factors which influence buying behavior of an organization are firmographics, national culture and government policies, and reference groups.

Firmographics

Firmographics is to an organization, what psychographics is to the end-consumer. It consists of variables related to the organization (size, goals, region, industry, etc.) as well as the employees (age, gender, education, income, etc.). On the basis of these firmographic variables, business marketers can segment and target their markets.

Organizational variables

The important organizational variables which influence the purchase behavior of the organizational buyers are size, goals, region, and industry.

Size

There is a difference in the way of functioning of small and large organizations. Large organizations, for example, have more specialized job positions and more participants for making a purchase. Thus, business marketers must focus their advertising campaigns on all major participants in a large organization. On the other hand, in small organizations, it is generally the owner or the CEO who takes all the major purchase decisions; thus, marketers should target the product at this person, which convey all the benefits of the product to him/her in a single advertisement.

Goals

Different organizations have different goals, which influence their buying behavior. The sourcing decision of a non-commercial organization tends to be different from that of a commercial organization. A co-operative organization like Amul, for example, is committed to providing fair returns to rural dairy farmers; and thus, purchases its main raw material, i.e., milk, from 2.36 million²³ rural dairy farmers of Gujarat.²⁴

Illustration 16.1: Amul Purchasing Milk from Rural Dairy Farmers



Source: www.amul.com

Region

Organizations are located in a certain geographical region and the cultural and sub-cultural influences of regions are as strong in the case of buying organizations as in the case of the consumer markets. Business marketers must target all communications at organizational buyers, keeping cultural and sub-cultural influences in mind.

Industry

Organizations' cultures are also affected to a great degree by the type of industry the organization belongs to. For example, an organization belonging to the software industry is likely to have a different culture compared to an organization from the construction industry.

Employee Variables

The age, gender, education, and income level of employees in an organization influences the culture of an organization as much as the organizational culture influences the employees. An organization where the majority of the people are young college graduates or undergraduates will tend to have a different culture from an organization where most people are above 40 and have higher educational qualifications.

National Culture and Government Policies

The business environment and culture varies from nation to nation. Pay packages, layoffs, organizational gifts, employee-employer relationship, and employee benefits are some such issues that vary in different societies and there are strict government policies related to these issues. Corporate gifts, for example, are considered an important part of relationship building between the buyers and sellers in many parts of the world. However, this practice is not seen in a very positive light in the U.S.²⁵ Business marketers, therefore, must understand the culture their potential buyers operate in and the relevant government regulations before entering a foreign market.

Reference groups

Business markets, like consumer markets, have reference groups that influence the buying behavior of the organizational buyers. Some important business reference groups are lead users (organizations which are successful primarily because of their positive attitude toward change, which also influences their adoption of new products and services), industry and trade associations, etc. It is important to note that the lead users influence the purchase decisions of many organizations, either directly or indirectly, as big and small companies in that industry generally follow them. The primary reason is the credibility that the adoption by the lead users renders to the new product.

Some popular business and trade associations which serve as reference groups in India are Confederation of Indian Industry (CII)²⁶ and Federation of Indian Chambers of Commerce & Industry (FICCI)²⁷, which are independent bodies with a large membership of companies and trade associations across industries, and individual trade associations like India Pepper and Spice Trade Association (IPSTA)²⁸, Apparel Export Promotion Council (AEPC), Ayurvedic Drug Manufacturers' Association, Cellular Operators' Association, etc.²⁹

SEGMENTING BUSINESS MARKETS

Market segmentation is as useful in business markets as in consumer markets and business marketers can use it as a tool in identifying the target market. Business marketers can segment organizational buyers on the basis of various criteria like industry-type, size of company, usage rate, size of the order, etc. (Refer Table 16.3 for details on basis of business market segmentation and Exhibit 16.2 for various examples of business marketers targeting different segments for their offerings).

Consumer Behavior

Table 16.3: Basis of Business Market Segmentation

Basis of Segmentation	Variables
<u>Demographic Segmentation</u>	
Industry-Type/Usage	R&D, Manufacturing, logistics, retail, etc.
Size of Workforce	1, 2-10, 10-100, 100-500, 500-1000, etc.
Size of the Company (in terms of revenues)	Less than Rs.10000, Rs.10000-50000, Rs.50000-1 lakh, Rs.1 lakh-50 lakh, Rs.50 lakh-1 crore, etc.
Geographic Location	North India, South India, Delhi, Gujarat, etc.
<u>Operational Segmentation</u>	
Technology	Types of technology used
Usage Rate	Heavy users, light users, active users, rare users, non users
Customer Needs	High, moderate, low
<u>Purchase Approach Segmentation</u>	
Decision-making	Centralized, decentralized, simple, complex
Power Structure	Engineering-oriented, finance-oriented, service-oriented, etc.
Strength of Existing Business Relationship	High, moderate, low, completely new relationship
Purchase Policies	Bidding-approach, leasing-approach, etc.
Purchase Criteria	Quality, service, price, return on investment, etc.
<u>Situational Segmentation</u>	
Urgency of Delivery	JIT, small lead time, medium lead time, long lead time
Buying Situation	New task, modified rebuy, straight rebuy
Order Size	Small orders, large orders
<u>Behavioral Segmentation</u>	
Cultural Similarity	Similar culture and values, different culture and values
Risk Taking Attitude	Risk-taking, risk-avoiding
Loyalty	High, moderate, low, non-loyals

Adapted from Philip Kotler, "Marketing management," Prentice-Hall, 42nd Printing, 10th Edition, The Millennium Edition, 272; V. Kasturi Rangan, Rowland T. Moriarty, and Gordon S. Swartz, "Segmenting Customers in Mature Industrial Markets," Journal of Marketing, Oct92, Vol. 56 Issue 4.

Exhibit 16.2

Example of Business Market Segmentation

Following are some examples of business marketers identifying and catering to target markets.

- To market its Kevlar fiber which is five times stronger than steel yet lightweight, DuPont, a U.S. based company, identified and targeted three important business segments on the basis of product usage – Fishing boat owners (lightweight renders the boat highly fuel efficient and fast while strength makes it possible for it to carry much more weight); aircraft designers (low weight to strength ratio); industrial plant managers (packaging machinery).³⁰
- U.S.-based Dell Computers segmented its corporate accounts on the basis of revenues into three distinct segments – enterprise group (consists of Fortune 500 companies); large corporate accounts (consists of Fortune 501-2000 companies); and preferred accounts (consists of medium-sized businesses).
- IBM Corporation, the \$78 million computer giant, divided its business market into two major segments depending on the size of the business – large corporate accounts and small and medium business accounts.

Adapted from <http://www.dupont.com/kevlar>; Michelle Marchetti and Geoffrey Brewer, "Dell Computer," Sales & Marketing Management, 01637517, Oct97, Vol. 149, Issue 11; Geoffrey Brewer, "Lou Gerstner Has His Hands Full," Sales & Marketing Management, 01637517, May98, Vol. 150, Issue 5.

SUMMARY

Organizational buying is the process of purchase of products and services by organizations. Although, organizational buying is similar to family buying, it is significantly different on several counts. Unlike in the case of family buying, rational decision making, strong ties with the suppliers, large-scale purchases, expert purchase agents, derived demand, and reverse buying, are part of organizational buying.

Organizational purchases are generally handled by internal buying centers. A buying center can have multiple participants like gatekeepers, initiators, influencers, deciders, buyers, approvers, and users. The number of participants increases in case of difficult and more complex decisions, as compared to simple and less risky decisions.

Organizations generally buy products and services in three types of buying situations – straight rebuy (practically, reordering with no change in purchase terms and conditions); modified rebuy (some change in initial purchase terms and conditions); and new task (completely new purchase decision). In case of a new task, the organizational buying process involves seven stages – problem recognition, need description, product specification, supplier and evaluation search, proposal solicitation, supplier selection, and order and post-purchase evaluation.

The organizational buying behavior is greatly influenced by the culture of the organization, which, in turn, is based on various internal (values, perceptions, and learning) and external (firmographics, national culture and government policies) factors. Organizational buying behavior is also influenced by reference groups.

Segmentation of business markets is an important tool in the hands of business marketers. Business markets can be segmented on the basis of demographics, operations, purchase-approach, situational factors, and behavioral factors.

End Notes:

- ¹ McCafferty, Dennis. "Oracle Reveals Future of Government Sales," VAR Business, 17th Apr. 2003. <<http://www.oracle.com/>>
- ² Please note that business marketers and suppliers are used interchangeably in the chapter, except where it was appropriate to use either of them.
- ³ Kotler, Philip. Marketing Management Prentice-Hall 42nd Printing, 10th ed p-192.
- ⁴ <<http://www.tatasteel.com/>>
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- ²² Mathew, Vinod "Global B2B Mantra — On a New Learning Curve." The Hindu Businessline. 18th Jan. 2005.
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- ²⁵ Gibb, Fiona . "To Give or Not To Give?" Sales & Marketing Management, Vol. 146, Issue 10. Sep 94.
- ²⁶ <www.ciionline.org>
- ²⁷ <www.ficci.com>
- ²⁸ <<http://www.ipsta.com>>
- ²⁹ <<http://www.ficci.com/ficci/membership/members-list/ordinary1.pdf>>
- ³⁰ Rangan, V. Kasturi; Moriarty, Rowland T. & Swartz, Gordon S. "Segmenting Customers in Mature Industrial Markets," Journal of Marketing, Vol. 56 Issue 4, Oct92, p72-84.

Part V
Consumer and Marketer

Chapter 17

Marketing Communication and Persuasion

In this chapter we will discuss:

- Nature of Communication
- Factors Affecting Communication
- Developing Persuasive Communication

Consumer Behavior

In the early 2000s, Parle Agro's 'Frooti,' the first tetrapak drink in the Indian market, was facing declining sales and stiff competition from marketers of soft drinks and juices. To revive the sagging appeal of the brand, the company decided on a major relaunch strategy, which focused on changing its positioning. The relaunch aimed at positioning 'Frooti' as a fun, trendy, and modern drink targeted at the youth segment - a marked change from its initial positioning as a drink for kids. This repositioning gave birth to the famous campaign featuring 'Digen Verma', an elusive, fictitious college going character.

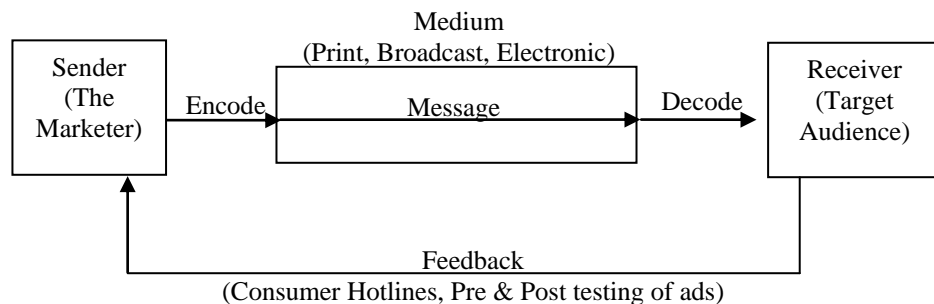
To create hype, there was a blitz of outdoor ads, promos, cinema, and teaser spots using the name of 'Digen Verma.' Many popular teenage joints such as restaurants, movie theaters, buses, and local trains were flooded with catchy posters asking questions like 'Where can you find Digen Verma on Saturday nights?' or 'What is Digen Verma's favourite serial?' etc. Some of the colleges even had exam banners saying 'Digen Verma will be the topper again' while cinema halls flashed DV slides exhorting him to tow his Ferrari away from the parking lot. For the fortnight that this teaser campaign lasted, mystique, intrigue, and high drama cloaked this 'faceless' man who became a talking point across the country. Eventually it was revealed that 'Digen Verma' was the brand ambassador for 'Frooti.'

The above example is one of the many ways in which marketers try to catch the attention of the target audience. In this chapter, we study the nature of communication, factors affecting communication, and the steps in developing persuasive communication. Various advertising appeals will also be discussed briefly.

NATURE OF COMMUNICATION

Communication is "the exchange of thoughts, messages, or information, as by speech, signals, writing, or behavior."¹ It is an essential part of everyday life of people. It is also an indispensable tool in the hands of marketers to create a positive attitude toward a brand or to persuade consumers to purchase a product. Communication can be verbal, nonverbal, or symbolic (discussed in subsequent sections in the chapter).

Figure 17.1: A Model of Communication Process



Adapted from Leon G. Schiffman and Leslie L. Kanuk, "Consumer Behavior," Prentice Hall India, 7th edition.

Elements of Communication

There are primarily two parties in the communication process -- its two basic elements -- a *sender* and a *receiver*. The communication, by its very nature, is an exchange of a *message* and the exchange can only happen if there is a *medium* to facilitate it. The message generally results in a *feedback*, which tells the sender if the receiver has interpreted the message correctly. However, some researchers argue that the feedback is a message in itself. When the receiver of the message gives a feedback, the role is reversed, i.e., the original receiver becomes the sender, and the original sender becomes the receiver.²

Marketing Communication and Persuasion

Sender

The sender is the source of the message, which can either be formal and informal. A formal source of communication can be, say, a profit-oriented organization (commercial advertisements of brands like Nestlé, Coke, etc.) or a non-profit-oriented organization (messages/advertisements by CRY, Rashtriya Saksharta Mission, Polio Eradication Drive, etc.). An informal source, on the other hand, can be the receiver's family, friends, etc. Usually, the receivers believe informal sources of communication over the formal sources of communication as the informal sources will not make any monetary gains by giving that message/information to the receiver. It is important to note that the sender encodes the message he/she wants to communicate to the receiver.

Receiver

The receiver of the marketing communications can be an intended receiver or an unintended receiver. Marketing communications are generally targeted at the company's channel partners (intermediary audience) or the end consumers, i.e., the intended audience. The unintended audience of the company's marketing communications and advertisements include the company's employees, shareholders, suppliers, etc.³ It is important to note here that the receiver decodes the message sent by the sender and its interpretation depends on the receiver's individual perceptions, values, culture, attitude, and experience.

Medium

The medium is the channel that facilitates the flow of communication from the sender to the receiver. A medium can be impersonal or interpersonal. An impersonal medium generally refers to all kinds of mass media like print, television, radio, the Internet, etc. An interpersonal medium, on the other hand, includes direct communications mediums like mail, phone, face-to-face, etc.

Message

The message can be verbal, nonverbal, or symbolic. A verbal message can either be spoken or written; a nonverbal message can be visuals, signs, body movements, expressions, etc; symbolic messages use signals that convey a special meaning. A premium product, for example, may use high price and exclusive distribution as symbols to communicate its premium image. Usually, verbal and non-verbal messages are used together as this makes the message easier to understand and more effective. However, marketers are increasingly using symbolic communications to convey the meaning of the brand, as the audience starts associating the symbol with the brand. Some examples can be the red color of Coke, Nike's logo, L'Oreal's 'Because I am worth it,' Dr. Reddy's 'Life. Research. Hope,'⁴ Dabur's tree⁵, etc. These symbols are used primarily to differentiate the brand from those of competitors and to convey the essence of the brand/product.⁶

Illustration 17.1: Logos



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The Feedback

Feedback is regarded as the prompt response to the message sent by the receiver to the sender. It can be verbal, nonverbal, or a combination of both. Generally, in interpersonal communication, the feedback is spontaneous, as in a smile, a sorrowful look, looking away, or looking disinterested. The sender gets the feedback and knows if the message has been fully understood; if not, the sender tries to change the message or the channel to make the communication more effective. In impersonal communication, however, all this is not possible, as the feedback mechanism is not effective or simply not known by the receiver. However, with the help of advertising effectiveness research or copy testing, the marketers can check the effectiveness of the advertisements before and after they are aired on various media channels. Pepsi, for example, clipped the initial part of its latest 'Oye Bubbly' advertisement after it was aired on various television channels. Another way to get audience feedback is through the 24-hour toll free hotlines managed by various big marketers.

FACTORS AFFECTING COMMUNICATION

The interpretation of marketing communication by the marketer can be influenced by some factors like the credibility of the source or sender and the comprehension and mood of the target audience. Some barriers to communication like selective viewing and noise also impact the interpretation of communication.

Credibility of the Source

The receiver's interpretation of the message depends greatly on the credibility of the source. If the receiver is sure of the credibility of the source, he is likely to believe in the credibility of the message too. Credibility, to a great extent, depends on the perceived intentions of the source. In the case of informal sources like family and friends, there is no commercial motive, which imparts high credibility to word-of-mouth communication (See Chapter 8). In the case of formal sources, non-profit organizations generally command a high level of credibility, as also messages from an unrelated organization, say consumer reports, independent rankings, etc., which are perceived as unbiased. The credibility of the commercial organizations can thus increase if they receive positive appraisal by such independent sources.

The credibility of a commercial organization is generally measured by its past performance, quality of its products, its public image and reputation, social initiatives, etc. Many large organizations try to associate themselves with social initiatives to project a more human face and this increases their credibility as an organization. Some examples are Dr. Reddy's Foundation (DRF), which contributes to the betterment of society through various social initiatives like child education, community learning centers, and education programs for youth from the poorer sections⁷; Infosys Foundation contributes to society by providing medical facilities to the poor, opening libraries in government schools, and through other programs for poor orphans.⁸

Commercial organizations also focus on increasing their public image and reputation through promotional messages focused on the organization as a whole, instead of the various brands. Some examples are Tata, the Aditya Birla Group, etc. Such organizations, thus, use their group or company name in all the major businesses they venture into, to ensure profit. Most companies of the Tata Group, for example, use the Tata name, banking on the good reputation the group has among consumers, like Tata Motors, Tata Consultancy Services (TCS), Tata Sons, Tata Tea, Tata Indicom, etc.⁹

Some other ways that commercial organizations use to build their reputation and credibility are event sponsorships (e.g., Sahara striking a multi-million sponsorship deal with BCCI in June 2001)¹⁰, promoting their products through suitable brand

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ambassadors (e.g., a well-known wine connoisseur promoting a wine), using the retailer's reputation (e.g., brands available at reputed retailers like Shoppers' Stop and LifeStyle getting a rub-off from the credibility of the retailer), and the channel's reputation (e.g., relevant ads being placed in high-profile magazines like Cosmopolitan, Good Housekeeping, etc.)

In case of interpersonal communication, the credibility of the source, i.e., the salesperson, depends on many variables like his way of dressing, level of confidence, product knowledge, etc.

The credibility of an organization also grows with an increase in the number of totally satisfied consumers, who not only become unofficial brand ambassadors for the brand, but also perceive the brand/organizational communications as highly credible and honest.

Research has shown that with time, the negative and positive cues associated with a message are discounted and only the impact of the message remains. This phenomenon is known as 'sleeper-effect.'¹¹ Because of the sleeper-effect, therefore, it can be said that over time, the impact of the message remains and the source is forgotten even in the case of a highly persuasive message from a low credibility source. The same will happen in the case of a high credibility source. Therefore, the high-credibility sources should ensure that they repeat the messages over a period of time so that these messages will serve as reminders.

Comprehension and Mood of the Receiver

The decoding of the message by the receiver depends on his comprehension and mood. The receiver's comprehension depends on variables like the characteristics of the message, his ability to process the message, and his motivation for processing the message.¹² The receiver's past experience, expertise, relevant knowledge, perception, personality, attitude, past learning, education, occupation, interests and current needs, etc., all influence his interpretation of the message.

The mood of the receiver also impacts the way in which the message is interpreted. Generally, the creation of a positive mood by advertisements leads to a favorable attitude toward the advertised brand. An example is the advertisement for Maruti's Versa, promoted as a family car, which creates a happy atmosphere for an extended family, traveling together in it. Although negative advertisements create a negative mood, they can be highly persuasive. Products that usually create depressing settings in their advertisements are life and non-life insurance, medical products, etc.

Barriers to Communication

There are two main barriers to communication between the sender and the receiver. These are selective viewing and noise.

Selective viewing

Marketers spend a large portion of their promotional budgets on advertising. However, it is common knowledge that the target audience may not even watch the television advertisements, as they could very easily switch to another channel. Channel surfing is very common as viewers look to fit in more into their limited time. Apart from channel surfing, viewers also are likely to be doing something else while watching television, like eating, playing, or just trying to sleep. Researchers have divided viewers into three different categories – channel nomads (channel surfers), mental nomads (doing something along with watching television), and physical nomads (watching television in intervals while working at home).¹³ To counter this problem of channel surfing, marketers have now devised 'road blocks,' i.e., running the same advertisements at the same time in all competing television channels, so that even if the target audience switch to another competing channel, they have to see the same advertisement.

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Noise

Noise is “anything introduced into the message that is not included in it by the sender.”¹⁴ Noise can be physical or semantic. Some examples of physical noise, when the advertisement is going on, are the ringing of the phone, crying of a baby, disturbance in television, and someone standing in front of the television blocking the view. Some examples of semantic noise are use of too many advertisements at one go; humor in the advertisement which results in entertainment but does not aid in recollection of the message; mental distraction of the receiver; receiver’s attitude toward the source; and the receiver being simply unable to understand the message.¹⁵ To tackle the physical noise, the best way for marketers is to repeat the advertisement over a period of time. However, for semantic noise, researchers have suggested use of ‘subverting’ and ‘forcing’ techniques. In subverting, something unexpected is shown to catch the attention of the audience; while in forcing, an effort is made to attract the audience by using teasers or by just giving some incomplete information, which is likely to build cognitive dissonance, resulting in a high level of attention.¹⁶

DEVELOPING PERSUASIVE COMMUNICATION

An effective and persuasive communication strategy entails four important steps – the target audience, the objective, the message, and the channel.

The Target Audience

The most important factor in developing any sort of communication is the identification of the target audience. The target audience of a marketing communication is the consumer, but marketers must know which set of consumers they want to target through their communication before deciding on the message and medium. It is important to note here that the target audience should be homogeneous; attempts to target everyone through one message are unlikely to yield any substantial result. The target audience can be

- Users who view the brand positively,
- Users who view the brand negatively,
- Non-users who view the brand positively,
- Non-users who view the brand negatively,
- Bargain hunters,
- Brand switchers,
- People who are unaware of the brand,
- People who are aware but don’t know much about the brand,
- People who purchased the brand but are experiencing post-purchase dissonance, etc.

The Objective

The marketer must be clear about the objectives of the communication. It could be to communicate brand positioning, product launch, additional features, or promotional schemes, or to increase goodwill toward the company, create a positive brand image, etc. The objective of the communication is related to expected responses from the target audience. By advertising about the promotional scheme to the target audience, for example, the marketer is expecting a response, and this can be the increased frequency of purchase by the users and trial by non-users.

The Message Design

The message design depends on the target audience and the objective of the communication. The message is generally intended to influence the thinking, attitude, or the need of the target audience, for the advertised product/brand/marketer.¹⁷ To be more persuasive, the message has to be well planned, with a proper mix of verbal and nonverbal communication. Although nonverbal communication, especially pictures, are widely believed to have more impact on the audience and lead to better brand recall; there is no conclusive evidence to suggest this. Some studies have suggested that if the information that the audience derives out of the picture and the body text is the same, the picture has not had much of an impact on brand recall. The findings of another study suggest that if the picture and body text both give information about the same attributes of the product, the brand recall is high.¹⁸

The structure of message

The proper formation of a sentence and the effective use of words, symbols, and pictures are also important while formulating a marketing message. Usually, the use of simple words with high argument strength leads to a high degree of brand recall.¹⁹ Coca-Cola's 'Thanda matlab Coca-Cola' advertisement, for example, illustrates well the use of simple language to good effect. Marketers also use ambiguous words, puns, etc. to add a fun element to the advertisements. However, critics claim that resonance (use of wordplay and puns) is not very persuasive as it is too indirect. Research has indicated that resonance in print advertisements, used with a relevant picture, has an overall positive effect on the audience, resulting in liking for the brand and high brand recall.²⁰ An example is Bisleri's 'Play Safe' campaign. Research has also suggested that open-ended advertisements (where conclusions are deliberately omitted) can have a major impact on brand recall in case of a highly involved audience.²¹ Hutch, during the launch of its services in various cities in India, for example, used billboards that showed different faces with a simple 'Hi,' which was later followed by the brand name and logo. The campaign was appreciated for its creativity and was well received by the target audience.²²

Illustration 17.2: The Hutch Campaign



The presentation of message

The framework of the message can differ on the basis of the way the competing brand is presented, i.e., positively or negatively. Generally, marketers of low-involvement products use positive message framing while marketers of high-involvement products use negative message framing.²³ However, in the case of negative message framing, there is a good probability that the target audience may perceive the advertisement as not being in good taste, and this can result in a negative attitude toward the brand.²⁴

Another thing to note in case of presentation of message is whether to opt for one-sided or two-sided messages. One-sided messages showcase just the marketer's brand in a positive light; while in two-sided messages, both the positive and negative sides of the brand are discussed. Generally, many marketers focus on portraying their brands only in a positive light with no mention being made of any shortcomings, and presenting it as the perfect solution for the target audience. However, an increasing number of marketers are realizing that two-sided messages can be very persuasive. The reason being that they make the message more credible, by simply admitting shortcomings. The findings of some researches have shown that in case the target audience has a negative attitude toward the brand or are aware of the claims of competitors, two-sided messages whether in advertisements, personal selling, or public relations, can be very persuasive.²⁵ An example of a two-sided message is that of Avis, the car rental company that used its no.2 position to its advantage. (Refer Exhibit 17.1 for details.)

Marketers often assume that by placing their advertisements in high-viewership programs, they have been successful in reaching their target audience. However, research has shown that the level of involvement and placement of the advertisements also has a significant impact on brand recall. The placement of advertisements right after a high-involvement sequence may not yield any results, as an emotionally involved audience is likely to be less attentive and may perceive advertisements as irritating. On the contrary, placing an advertisement right after a low-involvement sequence is likely to generate more audience attention and brand recall. Also, the first advertisement in the sequence is likely to generate more attention than subsequent advertisements.²⁶ Order is also important in the sequencing of the content. For example, in the case of personal selling, the salesperson can gauge the level of involvement of the audience and on the basis of his/her judgment, sequence the content of the message. In the case of a less involved audience, attention-grabbing tactics are essential, while in the case of a highly involved audience, the important part of the message can be communicated first.

Exhibit 17.1

How Avis Tried Harder

The story of Avis, the second largest car rental company in the world, and its legendary 'We Try Harder' advertisement slogan had become a part of marketing folklore by the beginning of the 21st century. Through this campaign, launched in 1963, Avis humbly acknowledged its 'Number Two' status and said that it tried harder to compete with arch-rival, Hertz, the world's largest car rental company. The campaign had become an integral part of the corporate culture at Avis.

By 2003, almost four decades later, Avis was still 'trying harder' to beat its rival in the US car rental market. In 2003, the company had a 25% market share as compared to Hertz's 30%. Hertz, the leader in the industry since its inception in 1918, not only had a larger market share but was also bigger than Avis in terms of company size. Hertz's reach and size and its significant investments in advertisements over the decades rendered it almost impossible for Avis to become the number one player (in 2001, Hertz spent \$ 53 million on advertising while Avis spent only \$ 9 million).

**Avis is only No.2
in rent a cars.
So why go with us?**



We try harder.
(When you're not the biggest,
you have to.)
We just can't afford dirty ash-
trays. Or half-empty gas tanks. Or
worn wipers. Or unwashed cars.
Or low tires. Or anything less than
seat-adjusters that adjust. Heaters that heat. Defrost-
ers that defrost.
Obviously, the thing we try hardest for is just to be
nice. To start you out right with a new car, like a lively,
super-torque Ford, and a pleasant smile. To know, say,
where you get a good pastrami sandwich in Duluth.
Why?
Because we can't afford to take you for granted.
Go with us next time.
The line at our counter is shorter.

However, in the European car rental market, Avis had managed to beat not only Hertz, but also every other player. In 2000, it was the market leader in the European market with an 18% market share while Hertz and other competitors lagged behind. Both the US and European operations of Avis posted profits (\$ 2 billion and € 1.255 billion respectively) in 2001, while many of its rivals performed badly, with Alamo and National even filing for bankruptcy.

Source: "Avis – Still Trying Harder!" Case Study, ICFAI Center for Management Research.

Marketers also consider repetition of the advertisement as an important tool to be more persuasive, to increase recall of the content of the advertisement, to increase brand recall, and to place the brand in consideration set of a potential consumer.²⁷ An individual is exposed to hundreds of advertisements every day, of which a miniscule fraction is actively registered and processed. Thus, the need to repeat the marketing messages increases.²⁸ However, research findings have shown that too much repetition can induce a negative attitude toward the brand. Marketers, thus, keep making either cosmetic or substantial changes in the advertisements to draw the attention of the target audience.²⁹

Comparative advertising

Comparative advertising, as the term suggests, refers to advertising that compares one brand directly or indirectly with another brand. In direct comparative advertising, the marketer's brand is directly compared to one or more competing brands, generally on the basis of product attributes. It is important to note that direct comparative advertising specifically mentions the name of the competing brand with which the product is being compared. Direct comparative advertising is often used in marketing new models of cars, electronic goods, etc., through the print media. In the case of indirect comparative advertising, the marketer's brand is claimed to be better than

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those of competitors, but the competing brand is not named in the advertisement. This form of advertising is often used by new entrants or relatively unknown brands in the market, and the comparison is usually done with the market leader. An example is that of Captain Cook salt which initially compared the quality of its salt, indirectly, with that of Tata salt by showing a hazy glimpse of the competitor with packaging similar to that of Tata salt.³⁰

Comparative advertising is widely believed to be persuasive, especially if the advertising brand's claims are supported by some credible sources.³¹ However, critics argue that comparative advertising, especially direct comparative advertising, may end up confusing the target audience, due to mention of the competitor(s) and their attributes. It is also highly likely that the advertisement will register high recall for the competitors' brand as well'. Despite these drawbacks of using comparative advertising, marketers continue to use it as it attracts and holds the attention of the audience and also motivates them to ponder over the message communicated.³²

Illustration 17.3: Comparative Advertising

Advantage Fusion

Check the 2008 J.D. Power and Associates AUTO AWARDS
The Best Mid-Size Car 2008

SABKO CHALLENGE KAREGA

More power and technology

	Ford Fusion	Honda City
Max power (hp)	181	17
Engine	1.8 Valve, DOHC	2 Valve, SOHC
AES with E85	Available	Not Available

More fuel efficient

	Ford Fusion	Hyundai Accent	Toyota Corolla
Fuel efficiency (mpg)	12-18	10-15	10-10

More ground clearance

	Ford Fusion	Honda City	Toyota Corolla
Ground clearance (mm)	190	160	160

More spacious

	Ford Fusion	Honda City	Toyota Corolla
Max height (mm)	1525	1485	1460
Max width (mm)	1720	1680	1705

The Ford Fusion is way ahead of the regular mid-sized city cars. The Fusion's ground clearance, fuel efficiency, increased space, more power and better technology, all combine to make the Fusion India's first ever city SUV. Take a test drive today and drive home the Fusion advantage.

Advantage April Customers
Special exchange bonus upto Rs. 21,000.
Offer open in April only.

fordfusion
ANYTHING IS POSSIBLE

Advertising appeals

Marketers use various advertising appeals to cut through the advertising clutter across various media and hold audience attention for a few seconds. Some of the important advertising appeals are fear, humor, suggestive, and abrasive appeals.

Fear

The fear appeal is widely used in advertising by marketers. However, it is generally believed that high fear appeal is more likely to result in cognitive dissonance, which can subsequently result in the message being rejected rather than the solution being adopted. An alcohol drinker, for example, in response to high fear appeal, may reject the validity of the appeal altogether ('there are new reports that come up every day' or 'what proof have they got?'); develop the 'it happens to others' syndrome ('I drink too little, it is not likely to happen to me'); or simply disassociate himself with the advertised product ('they are talking about drinks which have high alcohol content like whisky. I drink only beer'). Thus, most marketers prefer to use a moderate level of fear that is more likely to attract the attention of the audience and motivate them to adopt the solution. It is important to note that response to fear appeal also depends on the personal characteristics of the audience like past experience. A person, who has been driving a two-wheeler for 10 years without wearing a helmet and without getting into any accidents, is more likely to perceive the helmet as a nuisance rather than as a safety measure.³³ Research has also shown that social threat is likely to be more persuasive than physical threat. Marketers of personal hygienic (deodorant, mouthwash, anti-dandruff shampoos, etc.) and grooming products (fairness creams, anti-acne creams, etc.), often use social threat as a motivator to persuade the audience to adopt the solution.³⁴

Humor

Humor is a tool that is being widely used by an increasing number of marketers. It is believed to have an impact on the persuasiveness of the message, though there is no conclusive evidence to support this belief. Research has indicated that humor attracts the attention of the target audience better and makes the brand more likeable, but it doesn't seem to have a clear-cut edge over non-humorous advertisements in terms of persuasiveness.³⁵ It is important to note here that humor should be used in good taste and be in keeping with the tastes and preferences of the target audience. Otherwise, the message may not be able to create much of an impact. Another study has claimed that the electronic media, i.e., radio and television, are the best mediums to communicate humorous advertisements; that humor is likely to have more of an impact when associated with low-involvement, non-durable products like snacks, ice-creams, alcohol, cold-drinks, etc.; and is successful in creating better brand recall if associated with the major product attributes.³⁶ Exhibit 17.2 gives some examples of some very successful ad campaigns in Indian market.

Exhibit 17.2

Laughing Their Way Up to Success

- Fevicol brand by Pidilite, has consistently been using humor and associating it with the primary benefit of the product, i.e., sticking, to good effect. Be it the 'pakde rehna, chodna nahi,' television commercial or the crowded train print ad, time and again Fevicol has managed to hold the attention of the audience through the use of humor while communicating the message of the product benefit.
- Asian Paints managed to be the talk of the town with its television ad campaign in 2002 that focused on the longevity benefit of the product. Popularly known for its main characters –Sunil babu, the wife, the car, the house, and the neighbor – and its punch line 'badiya hai,' the ad resulted in high brand recall.
- Harvest Gold bread opted for humorous advertising by way of print ads with the tagline 'bakwaas advertising. First class bread.' The ads generally focus on some current topic and make use of an interesting mix of Punjabi and English.

Adapted from Rina Chandran, "Saying it with wit," The Hindu Business Line, Dec 26, 2002; Manjari Raman, "Harvest Gold: Key to a well-bred campaign?" The Indian Express, 23 February 1998.

Illustration 17.4: Humor Appeal



Source: www.amul.com



Source: www.pidilite.com

Suggestive appeal

Use of suggestive advertising has increased considerably in recent years, with advertisements like that of Tuff shoes, Stanza's Summer Collection, Lacoste, Levis, etc. (Refer Chapter 18, Marketing Regulations). While the marketers claim the use of suggestive visuals is a way to stand out in the excessive ad clutter, the advertising agencies claim it is their creative right to create such advertisements. While the use of sexually explicit and suggestive visuals does grab the attention of the audience, they are not necessarily persuasive. Research has suggested that such advertisements are more likely to have a positive impact on the target audience if the type of product justifies the use of such visuals, as in the case of condom advertisements. It is also important to note here that such advertisements can distract the cognitive processing of the audience, as focus shifts entirely on the visuals.³⁷

Illustration 17.5 Suggestive Appeal



Abrasion

Abrasive advertising is generally used for over-the-counter medical products, with advertisements showing problems like upset stomach, itchiness, etc., being portrayed. Some examples are the advertisements for Kayam churan, Livocin, Itch Guard, etc. Such advertisements may be revolting to those who are not the target audience but they are highly persuasive as far as the target audience is concerned as they are able to associate with the problem and are more likely to adopt the solution offered in the advertisement.

The Media

Media planning is an important element of the communication design and is directly dependent on the type of product, the target audience, and the message. Generally, marketers adopt multiple media to communicate to the target audience, with the main campaign being communicated through one primary medium, while the others are used to support the primary media. For example, television (primary medium) campaigns of brands are generally supplemented with print (secondary medium) advertisements.

More and more marketers are now using precision targeting techniques like selective binding and direct marketing, to target a very specific potential consumer segment. Selective binding is generally facilitated by print media like magazines and newspapers. In this technique, a very specific set of subscribers to the media get their print copies with some extra pages bound with their copy. As the newspaper or magazine company has the complete demographic detail of the subscribers, marketers find it very convenient and cost effective to target their market communication to these selective segments. In India, such a technique is generally employed by local marketers by way of newspaper inserts in newspapers being distributed in a particular geographical region. In the case of direct marketing, various media like mail-order catalogs, phone, e-mail, etc. are used to reach very specific set of potential consumers.

Consumer Behavior

While some marketers are targeting a very specific set of target audience, another set is opting for integrated marketing communication (IMC). IMC is “the process of managing all sources of information about a product/service to which a customer or prospect is exposed which behaviorally moves the consumer toward a sale and maintains customer loyalty.”³⁸ In other words, it means having one single, interesting, simple, and consistent marketing message that talks about the same set of benefits throughout various media channels. The Diakin air conditioner brand, for example, employed IMC and communicated just one primary benefit, i.e., complete silence. This strategy paid off and despite being 20% more expensive than other air conditioners in the same category in the Indian market, Diakin succeeded in increasing its sales to a great extent without resorting to any sort of sales promotions.

SUMMARY

Communication is an essential element of marketing. The main elements of a communication model are the sender, the message, the channel, the receiver, and the feedback. The sender or the marketer (commercial or non-profit organization) encodes the message (generally a marketing communication) and sends it to the receiver (target audience) through a medium (newspaper, radio, television, the Internet, etc.). In response to this message, the receiver gives feedback to the sender on the basis of which the sender can gauge if the message has been understood properly or whether it needs to be modified. The message can be verbal (spoken or written words), nonverbal (visuals, signs, body language, expressions, etc.), or symbolic (brand color, logo, punch lines, etc.) in nature.

Credibility of the source is an important variable which influences the interpretation of the marketing communication by the target audience as it leads to positive brand association. The target audience measures the credibility of the source based on numerous factors like past performance, public image and reputation, quality of goods and services, initiatives taken for social welfare, the brand ambassador, and the image of the medium. The comprehension and mood of the target audience is another important factor that influences the interpretation of marketing communication. The comprehension depends on characteristics of message, the ability of the receivers to process it, their motivation to process it, and their personal characteristics like past experience and learning, attitude, personality, perception, etc. The consumer mood can impact the interpretation of the message and can be influenced through the use of various advertising appeals.

Communication is often not perceived the way it is intended by the marketers due to some barriers to communication like selective viewing (channel surfing, interrupted viewing, etc.) and noise (disturbances in the message which are not included by the marketer).

To develop persuasive marketing communication, marketers must first identify the target audience (users, nonusers, etc.) they want to address through the communication. They then have to decide on the objectives of the communication (build reputation, increase sales, brand recall, etc.), message design (structure and presentation), and media planning (print, television, radio, etc.).

End Notes:

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Chapter 18

Market Regulation

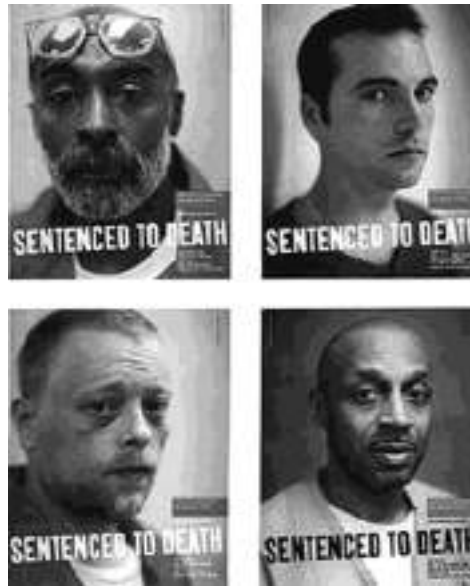
In this chapter we will discuss:

- Concerns of the Consumers
- Concerns of the Marketers
- The Role of Government and Other Non-government Bodies

Consumer Behavior

In January 2000, the United Colors of Benetton (Benetton), Europe's largest clothing manufacturer, released its 'death-row' advertisement campaign featuring prisoners who had been sentenced to death. The campaign appeared on billboards and in major news publications in Europe, America, and Asia. Benetton had worked for two years on the campaign, in connection with which a special booklet and video were also released. Benetton claimed that leaving aside any social, political, judicial, or moral consideration, the campaign aimed at showing the public the reality and futility of capital punishment.

Illustration 18.1: Benetton's Capital Punishment Campaign



The campaign resulted in a volley of protests against the company from consumers as well as a number of governments. The families of those whom the death row inmates were convicted of having killed too objected strongly to the campaign. The biggest setback for Benetton came in the form of the cancellation of its deal with the US retailing major Sears, Roebuck & Co. (Sears) to open Benetton outlets in Sears' stores across the US. After Benetton released the 'death row' campaign, Sears' stores across the US were picketed and numerous letters of protest were written by the families of the victims. Alarmed by the protests over its association with Benetton, Sears opted out of the deal in February 2000.

The public's reaction to Benetton's advertisement campaign proved unnerving not only to Sears but also to other stores. Analysts commented that almost 500 stores in the US were closed because of the storeowners' personal conflicts with the company's campaigns. Meanwhile, reports appearing in *CNN*, *Wall Street Journal*, and *Advertising Age*, revealed that the majority of US consumers did not like the campaign.¹

This example highlights one of the many issues related to marketing and the one of the important reasons of conflict between marketers/advertisers and the consumers. In this chapter, we will discuss the various issues that generally result in conflict between consumers and marketers. The role of the regulatory framework and related regulations will also be discussed briefly.

CONCERNS OF THE CONSUMERS

Consumers are exposed to various marketing stimuli every day – in the form of print, radio or television ads; road-side posters and hoardings; stores or their carry-bags; or the brand logos on the clothes people wear. In such an environment, consumers and marketers² sometimes clash on the content of advertising. Often, it is the marketers who are caught on the wrong foot and consumers blame them for trying to adopt unethical means to sell their products. In the following sections, we will discuss the various issues which consumers regard as problem areas.

Consumerism

Consumerism, or consumer activism, is “the consumer movement seeking to protect and inform consumers, by requiring such practices as honest packaging and advertising, product guarantees, and improved safety standards.”³ Many issues, like increasing prices, unethical business practices, unethical marketing & advertising, quality of good & services, misleading messages & product labeling, can lead to a consumer uprising.⁴ Consumerism tends to be more successful if consumers feel really strongly about a marketing act or a product/service. It is important to note that public support for such movements can be garnered only if the public benefit is greater than public cost.⁵ For example, in the case of making helmets/seatbelts compulsory in India, benefit (physical safety in case of accident) would outweigh the costs (inconvenience).

Consumer activism has also become stronger on the environmental front. Given the increasing awareness among consumers regarding environmental issues, marketers are being forced to adopt the green marketing or environmental marketing concept. Green or environmental marketing consists of “all activities designed to generate and facilitate any exchanges intended to satisfy human needs or wants, such that the satisfaction of these needs and wants occurs, with minimal detrimental impact on the natural environment.”⁶ For example, in a survey in 1989, McDonald’s discovered that around 53% of the respondents did not purchase its products due to doubts over the effect of its packaging on the environment. Responding swiftly to these concerns, McDonald’s changed its existing packaging material to more environmentally friendly material to establish itself as an environmentally responsible organization.⁷

In developed nations like the U.S., consumerism has led to various changes in legislation. For example, the consumer dissatisfaction in the early 1900s, over increasing prices and ethical drug scandals, led to the enactment of the ‘Pure Food & Drug Act’ (1906), The Meat Inspection Act (1906), and formation of the Federal Trade Commission in 1914 in the U.S.⁸ In India, however, consumerism has not made much of an impact despite the ‘Consumer Protection Act’ of 1986.⁹ We will discuss this Act in the last section of this chapter.

Privacy Concerns

Consumers do not want to divulge too much personal information like household income, residence address, phone numbers, credit card details, etc., especially over the Net.¹⁰ They, however, are now realizing that many companies like Microsoft, Netscape, and DoubleClick are recording their personal information over the Net, without their knowledge or consent (Refer Exhibit 18.1 for details).¹¹

Exhibit 18.1

DoubleClick and Consumer Privacy

DoubleClick, the largest online advertising company, had been collecting information about consumers' online movements with the help of cookies to help its clients identify target consumers for online ads.

Cookies are "electronic footprints that allow websites and advertising networks to monitor consumers' online movement with telescopic precision."¹² This includes which sites one has visited, when, and what activities were performed on each page.

DoubleClick, which had a huge database of online surfers based on their browsing patterns, interests, and other details, acquired Abacus Direct in November 1999. Abacus Direct was a database of 90 million people who had never ordered anything through online. In February 2000, DoubleClick announced that it was using a sophisticated identity-tracking tool to merge the online identities of people with their offline or real identities. This would mean that the company would have the names, addresses, and personal details of 90 million consumers along with their e-mail addresses. This not only threatened consumers' privacy, it also meant that this information could be grossly misused, and their mailboxes flooded with junk mails. The announcement, led to a huge public outcry and DoubleClick was forced to shelve its plan of using the identity-tracking tool.

Adapted from Drew Robb, "That's The Way the Cookie Crumbles," www.govtech.net; and Jeffrey Rosen, "The Eroded Self," www.partners.nytimes.com.

Internet privacy has become a major issue with most net users, who are unsure how safe their personal information is or how it is going to be used. The Internet privacy issue has become such a major one that many companies like Zero-Knowledge have started providing Internet privacy solutions to the highly conscious, individual net-surfers.¹³ In India, the government has introduced the IT (Information Technology) Act, 2000, aimed at facilitating e-commerce and preventing computer crimes.¹⁴

Another major cause for concern among consumers is the online privacy of children using the Internet. With the reach of the Internet increasing, children's access to the net is also increasing. The U.S. introduced the 'Children's Online Privacy Protection Act' (COPPA) in 1998 to curb the misuse of personal information collected online from children. Under this Act, parents' consent has to be sought before the information can be collected and used.¹⁵ In India, however, no such safeguard is in place.

Even as the furor over Internet privacy issues continues, marketers have begun to realize that more and more consumers are willing to give personal information in exchange for some benefits, like free gifts, discounts, etc. Research has also revealed that consumers are aware of the economic worth of the information provided by them and in the coming years, they may even collect their spending data with the help of sophisticated technology. They can then sell this to marketers with the help of infomediaries (agencies which will sell consumer information on their behalf).¹⁶ This concept will not only benefit consumers with returns in cash or kind, but also help marketers' access reliable consumer information they otherwise fail to gather from consumer research. In the U.S., some start-ups have already registered themselves as infomediaries, but experts feel that consumers may not be too keen to surrender their personal, financial, and purchase details to newcomers.¹⁷

Impact of Advertising

Critics of advertising have, time and again, pointed out the perils of advertising, which advertisers have countered somewhat successfully. Some researchers also argue that advertising encourages addiction among women, especially young girls, by projecting cigarettes and alcohol as the means to liberate oneself from societal bondages.¹⁸ Some of the major charges levied by critics against advertising are – deception, artificial need creation, persuasion to buy unnecessary products, increased cost of products and services due to extensive advertising, promotion of materialism, and offensive advertising.¹⁹ (Refer Exhibit 18.2 for the Advertising Code in India).

Exhibit 18.2

Advertising Code in India

The Ministry of Information and Broadcasting of Government of India, under the 'Cable Television Networks (Regulation) Act, 1995,' has laid down the following advertising codes:

1. Advertising carried in the cable service shall be so designed as to conform to the laws of the country and should not offend morality, decency, and religious susceptibilities of the subscribers.
2. No advertisement shall be permitted which -
 - derides any race, caste, color, creed, and nation
 - is against any provision of the Constitution of India
 - tends to incite people to crime, cause disorder or violence, or breach of law or glorifies violence or obscenity in any way
 - presents criminality as desirable
 - exploits the national emblem, or any part of the Constitution or the person or personality of a national leader or a State dignitary
 - in its depiction of women violates the constitutional guarantees to all citizens. In particular, no advertisement shall be permitted which projects a derogatory image of women. Women must not be portrayed in a manner that emphasizes passive, submissive qualities and encourages them to play a subordinate, secondary role in the family and society. The cable operator shall ensure that the portrayal of the female form, in the programs carried in his cable service, is tasteful and aesthetic, and is within the well established norms of good taste and decency;
 - exploits social evils like dowry, child marriage.
 - promotes directly or indirectly production, sale, or consumption of-
 - Cigarettes, tobacco products, wine, alcohol, liquor or other intoxicants;
 - Infant milk substitutes, feeding bottle or infant food.
3. No advertisement shall be permitted, the objects whereof, are wholly or mainly of a religious or political nature; advertisements must not be directed towards any religious or political end.
 - No advertisement shall contain references which hurt religious sentiments

Consumer Behavior

4. The goods or services advertised shall not suffer from any defect or deficiency as mentioned in Consumer Protection Act, 1986.
5. No advertisement shall contain references, which are likely to lead the public to infer that the product advertised or any of its ingredients has some special or miraculous or super-natural property or quality, which is difficult to prove.
6. The picture and the audible matter of the advertisement shall not be excessively 'loud'.
7. No advertisement which endangers the safety of children or creates in them any interest in unhealthy practices or shows them begging or in an undignified or indecent manner shall be carried in the cable service.
8. Indecent, vulgar, suggestive, repulsive, or offensive themes or treatment shall be avoided in all advertisements.
9. No advertisement which violates the standards of practice for advertising agencies as approved by the Advertising Agencies Association of India, Bombay, from time to time shall be carried in the cable service.
10. All advertisements should be clearly distinguishable from the program and should not in any manner interfere with the program viz., use of lower part of screen to carry captions, static or moving alongside the program.

Source: Ministry of Information and Broadcasting, www.mib.nic.in

Deceptive advertising

Advertisers are often blamed for making false promises that the advertised products fail to live up to. There are two main types of deceptive advertising. First, when an advertisement misleads consumers or omits important information. Second, the advertisements influencing the choice of consumers who act reasonably and who make product decisions based on the deceptive advertisement.²⁰ Sunsilk, for example, claimed that its Fruitamin shampoo encourages hair growth. Another shampoo brand, Clinic AllClear, claimed that it could 'stop dandruff.' Both advertisements were found to be deceptive by the Advertisements Standards Council of India (ASCI) and were discontinued.²¹

Creates artificial needs and persuades to buy

Consumers often complain that advertising creates artificial needs and persuades them to buy unnecessary products and services. Advertisers, however, counter this charge by pointing out that advertisements just inform consumers about the various choices available to them; to think that advertising could persuade people to buy greatly underestimates the decision-making capability of consumers, they say. But this reasoning is based on the assumption that the 'consumer is a rational being,' an assumption that may not always be true, as we have seen in consumer decision making (Chapter 13). It doesn't take into account the meaning people seem to associate with different emotions and the influence these emotions have on consumer decision making.²²

Too much advertising increases cost

Critics claim that marketers indulge in extensive advertising and this only results in an increase in the final cost of the product, which consumers have to bear. Marketers, on the other hand, justify their action on the grounds that advertisements result in the free or lower cost of various media (e.g., television programs, newspapers, etc.) that consumers access. Also, extensive advertising brings in more demand, leading to economies of scale and benefiting the consumers in the end.

Promotes materialism

Advertisers are also blamed for promoting materialism by showing that possession of various goods and services brings happiness. Advertisers associate some products like alcohol and cigarettes with aspirational images, like power, wealth, courage, etc., and this can influence the consumer to try out these products. Keeping this view in mind, many countries across the world have banned cigarette and alcohol companies from advertising their products. India, for example, has introduced 'The Cigarettes and Other Tobacco Products (Prohibition of Advertisement and Regulation of Trade and Commerce, Production, Supply and Distribution) Act, 2003. Under this Act, smoking in public places is prohibited and advertisements for cigarette and alcohol products have been banned.²³ The Act also prohibits the surrogate advertising (i.e., promoting another product like mineral water, golf kits, apple juice, soda, etc., with the same brand name as that of their alcohol brand, when the promoted product is not sufficiently available in the market) of these products. Many television channels were issued with showcause notices in 2003 for telecasting such surrogate advertisements.²⁴ However, the marketers of these products keep telecasting these advertisements on different channels every time or keep changing the product they promote with the same brand name as that of their alcohol brand.²⁵ To counter this problem, the Government of India is planning to introduce a clause in the existing Act that prohibits any advertisements for brand extensions of such products. If this clause is included and strictly enforced, Haywards 5000, for example, will not be able to air any advertisements for Hayward 5000 soda.²⁶

Illustration 18: 2: A Surrogate Advertisement



Consumer Behavior

Offensive advertising

Many advertisers opt for the shock element in their advertisements to catch consumer attention. But sometimes, this concept is taken too far by making advertisements which are quite disturbing and offensive, leading to a huge public outcry.²⁷ The Benetton advertisements, as discussed in the beginning of this chapter, are widely known for making extensive use of the shock element. It is important to note here that consumers are more tolerant toward shocking advertisements meant for a social cause, like say, the Tsunami relief fund, AIDS awareness, etc. as compared to shocking advertisements for commercial purposes.²⁸



In the Indian context, many advertisements have created similar discomfort among the people. The much talked about Tuff shoes ad featuring models Milind Soman and Madhu Sapre in 1995 ended with a court case against the models and five others, with charges of ‘obscenity and indecent representation of women’ leveled against them.²⁹ Very recently, VIP Frenchie’s huge billboard advertisements led to police complaints in Mumbai against the advertisement, resulting in discontinuation of the campaign.³⁰

Social Marketing

Social marketing is the “adaptation of commercial marketing and sales concept and techniques to the attainment of social goals.”³¹ One of the successful social marketing campaigns undertaken by the Government of India is that of family planning. The recent campaigns by the government in this direction are aimed at encouraging the use of oral contraceptives among urban women.³² Indian family planning programs promote the idea of fewer children per family, which has a great social impact, as the consumption pattern of families with fewer children (one or two) will certainly be different from that of families with more children (more than 3). Social marketing is, thus, aimed at gradually changing the attitude of society toward a particular issue, which will lead to further changes in society as a whole.

Illustration 18.4: Social Marketing



Source: www.infoforhealth.org



Other examples of social marketing campaigns are the ‘save water campaign’, ‘save oil campaign’, ‘anti-smoking campaign’, ‘anti-AIDS campaign’, ‘anti-child labor campaign’ to discourage discrimination against the girl child, etc.

Marketing to Children

Research has revealed that a large section of the population perceives TV advertising as misleading, especially advertisements targeting children.³³ The impact of advertising on children has been a hotly debated topic, concerning parents and advertisers. Research has revealed that children do not understand the hidden motivators in advertising. Thus, they can be easily manipulated by advertisements. Parents also believe that advertisements influence the children negatively and can

Consumer Behavior

bring about a rift in parent-child relationships if parents don't give in to the unreasonable demands made by children due to the influence of advertising.³⁴ Research has also shown that children are frequently exposed to advertisements targeted at adults, and that this can have some effect on how children relate with the product/brand.³⁵

In western countries, marketers are finding new ways to advertise products to children. For example, in the U.S., *Channel One* is paying schools in kind for allowing them to show school children advertisements, along with the daily news.³⁶ Some other companies are providing school children with free study material with glossy advertisements on the cover.

Children are not only threatened by the influence of advertising on their behavior, they are also exploited by marketers. Recently, Pepsi and MTV faced the wrath of activists as well as consumers for their advertisements portraying child labor and a handicapped child.³⁷ Calvin Klein (CK), in an advertisement campaign for jeans in 1995, showed teenagers in suggestive and even provocative poses. Although the company discontinued the advertisements after protests from consumers and activists, it led to a widespread debate on child pornography issues (Refer Exhibit 18.3).³⁸

Parents also blame many products targeted at children of promoting consumerism. The 'Cool Shopping Barbie' model, for example, had the Barbie doll shopping in a toy boutique and buying stuff with a mini credit card.³⁹ The list of products that are directly or indirectly influencing children now include credit cards and debit cards⁴⁰, lemon-flavored alcoholic drinks,⁴¹ nicotine water,⁴² and candy-flavored cigarettes.⁴³

Exhibit 18.3

The Calvin Klein Controversy

Since its inception, the global fashion industry has been subject to moral and ethical controversies. This is because the diverse socio-cultural norms in different parts of the world make it difficult to draw a clear line between fashion and vulgarity. However, there have been advertisements that have shocked even the most liberal fashion aficionado. The 1995 controversy surrounding one of the world's most popular fashion labels, Calvin Klein, is a perfect example of one such advertisement campaign.

This campaign generated an unprecedented outpouring of anger throughout the US for its alleged use of youngsters in a sexually provocative manner. Termed 'kiddie porn' (pornography featuring children), this multi-media campaign comprised print and television commercials that were indeed very scandalous. They featured very young teenage boys and girls, who were portrayed as if being auditioned for a performance in an adult movie. The advertisements began appearing in the print, electronic, and outdoor media (the YM magazine, music channel MTV, and buses, for instance) in July 1995.

There was an outcry against the advertisements throughout the US. Parents, retailing companies (such as Dayton Hudson Corp.), many child welfare groups (notably, the American Family Association) and religious groups voiced their anger against Calvin Klein. The US Federal Bureau of Investigation (FBI) launched a probe against the company in August 1995 to check whether it had broken any laws. Calvin Klein sources, meanwhile, denied that any laws had been violated and claimed that the models used in the campaign were all above 18 (some were reportedly as old as 29).

There was nothing unusual about these developments as far as this fashion label was concerned since its advertising history was fraught with numerous such shocking campaigns. Beginning with a campaign featuring Hollywood actress/model, Brooke Shields in 1978, Calvin Klein's advertisements had become synonymous with sex and eroticism. Over the decades, the label continually played along the fashion/obscenity line to cash in on the fact that the controversies and the brand's 'rebel' image successfully lured customers. Analysts said Calvin Klein had come to be known as a company that liked to generate sales through scandals and featured nudity on a regular basis in its advertisements. However, most of them seemed to agree that this time around, the company had gone too far.

Source: "Calvin Klein's Scandalous Advertising—Morality vs. Money," Case Study, ICFAI Center for Management Research.

CONCERNS OF THE MARKETERS

In the earlier section, we discussed consumer issues related to marketing and advertising. In this section, we will briefly discuss the problems (like shoplifting, consumer terrorism, anti-consumption, etc.) faced by marketers.

Consumer Fraud

Research has shown that retailers all over the world lose merchandise worth billions of dollars due to shoplifting by consumers. Indian mall retailers are losing approximately 1.5% of their sales due to shoplifting. Research has also indicated that most consumers who shoplift are teenagers who indulge in this act due to multiple reasons – influence of friends who indulge in shoplifting, tense parent-child relationship, and, to some extent, for the thrill of doing it.⁴⁴

Some other types of frauds that consumers indulge in are -- returning used merchandise, eating an unbilled item in the store, not reporting a favorable billing error, and returning merchandise bought on sale from one store to another store to get a refund, etc. Research has shown that strict and severe sanction may not be enough; re-socialization and consumer education are also needed to curb consumers' fraudulent behavior.⁴⁵

Consumer Terrorism

Consumer terrorism is “a state where the consumer finds that wee bit of a loop hole in the product and service to make noise and money at the cost of the marketer who has faulted accidentally and not willfully.”⁴⁶ Pepsi, for example, faced consumer terrorism in the Philippines in the form of ugly protests and violence against the company's property and employees there. The reason for this was a lottery scheme that went wrong due to a computer error (Refer Exhibit 18.4 for details).

Exhibit 18.4

Pepsi's Brush with Consumer Terrorism in Philippines

1992. Pepsi-Cola Products Philippines, Inc. (Pepsi), a subsidiary of the US-based multinational PepsiCo, found itself in serious trouble. Customers from all over the country took to the streets, protesting against the company's refusal to pay out prize money for a lottery scheme that had gone horribly wrong.. Caught in the midst of a peculiar controversy, Pepsi watched the growing customer unrest in alarm. And to its horror, it soon began to receive reports from many parts of the Philippines of mobs resorting to violence against company property and employees.

The protests started off peacefully enough in mid-1992 in the form of organized groups taking out demonstrations and marches. However, matters soon took an ugly turn and many of the company's delivery trucks were stoned, overturned, and set on fire. There were even reports of crudely made explosives and bombs being thrown at Pepsi's plants and offices. A woman and a child were killed in one such explosion, while many others were injured badly. Things came to such a pass that it became necessary for some key company employees to move around with armed bodyguards.

The lottery scheme was a sales promotion campaign that the company launched for its customers in February 1992. The scheme became immensely popular within a short span of time; many customers participated enthusiastically in the hope of winning the lottery of one million pesos.⁴⁷ Pepsi was delighted to see its market share and revenues increasing substantially – until an unexpected turn of events threw things out of gear.

The company had carefully planned the scheme so as to spend a limited amount of money (a few million pesos) in the form of lottery prizes to customers. However, due to certain problems, it found that the grand prize of one million pesos had been won by over 800,000 customers. The company claimed that a computer error had caused the problem. Not surprisingly, the customers refused to accept this claim.

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Pepsi realized that if it honored all the claimants, it would have to shell out \$32 billion. This would not only have wiped out all the gains brought about by the marketing exercise, it would have seriously harmed its overall prospects in the country. It was left with no option, but to refuse to pay the claimants. This move outraged the consumers and around 689 civil suits claiming damages were filed against the company. In addition, 5200 criminal complaints accusing it of deception and fraud were filed, leading to a long stretched out legal battle that ended in a considerable loss of image and money to the company.

Source: “Pepsi’s Marketing Mishap in the Philippines,” Case Study, ICFAI Center for Management Research.

Anti-consumption

Consumer groups across the world are increasingly turning to anti-consumerism or anti-materialism by celebrating ‘Buy Nothing Day’ (BND), the day when the participating consumers completely refrain from buying anything. This day is organized by many consumer groups in countries like the U.S., the U.K., Sweden, Finland, Holland, Japan, Israel, Italy, Germany, France, and Portugal. The main reasons are over-consumption and the environmental issues arising out of this over-consumption. In the U.S., BND is celebrated the day after Thanksgiving, which is regarded as the biggest shopping day of the year by consumers as well as retailers.⁴⁸

THE ROLE OF GOVERNMENT AND NON-GOVERNMENT BODIES

There are many governmental and non-governmental organizations that work for issues related to consumer protection, right to information, and regulation of marketing. The marketing watchdogs consist of the government and its bodies, self-regulating industry bodies, and consumer action groups.

Government Regulations

The Indian government recognizes a consumer under the ‘Consumer Protection Act’ as any person who “buys any goods for a consideration which has been paid or promised or partly paid and partly promised, or under any system of deferred payment and includes any user of such goods other than the person who buys such goods for consideration paid or promised or partly paid or partly promised, or under any system of deferred payment when such use is made with the approval of such person, but does not include a person who obtains such goods for resale or for any commercial purpose.”⁴⁹ The definition of consumer also includes people who hire goods and services.

U.S. President, John F. Kennedy, in his address to the US Congress in 1962, said, “If a consumer is offered inferior products, if prices are exorbitant, if drugs are unsafe or worthless, if the consumer is unable to choose on an informed basis, then his dollar is wasted, his health and safety may be threatened, and national interest suffers.”⁵⁰ In a historical move, he proposed four rights of consumers – right to safety, right to choose, right to information, and right to be heard. Over the years, with the changing needs of consumers, four more rights were added – right to the satisfaction of basic needs, right to redress, right to consumer education, and right to a healthy and sustainable environment.⁵¹ The consumer rights, as recognized by the Government of India, are⁵² –

Market Regulation

1. Right to Safety (goods and services should consider short and long-term safety of the consumers)
2. Right to be Informed (to avoid being cheated)
3. Right to Choose (to have access to a variety of options at competitive prices)
4. Right to be Heard (to have liberty to complain and/or form consumer groups)
5. Right to seek Redress (to fight consumer exploitation and unfair trade practices)
6. Right to Consumer Education (to be an informed consumer who is aware of his/her rights)

The Government of India has enforced many acts to protect the interests of consumers. Some of the important acts related to consumer welfare are

- Consumer Protection Act (COPRA), 1986 (under this Act, consumers can seek redress with reference to unfair trade practices and/or defect and deficiencies in the goods and services purchased)
- Bureau of Indian Standards Act (BIS), 1986 (product certification which includes popular quality assurances like Agmark, ISI mark, and hologram).
- Essential Commodities Act, 1955 (the government has complete control over the production and distribution of some essential goods and services at reasonable prices)
- The Standards of Weights and Measures Act, 1976 (under the Packaged Commodities Rules, 1977, the act provides guidelines for giving complete information about the product on the packaging to the consumers)

Regarding the safety of consumer products, the U.S. has a Consumer Product Safety Commission (CPSC) to check the safety of products. India, however, still doesn't have any laws specifically regarding safety of products used by consumers, apart from BIS.⁵³

The Advertising Standards Council of India

The Indian advertising industry, which consists of advertising agencies and the media owners association, came together in 1985 to form the 'Advertising Standards Council of India' or ASCI. ASCI is a self-regulatory body which monitors the content of advertising and takes appropriate action based on complaints by consumers or industry against objectionable (misleading, deceptive, indecent, etc.) advertising. However, due to lack of authority to penalize errant advertisers and companies, lack of resources, and the long processing period (generally 7-9 weeks), it has not always been an effective tool to monitor advertisements being made in India.⁵⁴

Consumer Action Groups

There are numerous consumer action groups around the world, pursuing different issues concerning consumers and their rights. In India, recognized consumer organizations can fight legal battles on behalf of affected consumers, even if they are not members of the particular consumer organization.⁵⁵

Some popular international organizations are Adbusters (social issues and menace of advertisements), Friends of Earth International (environmental issues), CorpWatch (corporate ethics and accountability), and Indian organizations like Voluntary Organization In Interest of Consumer Education (VOICE)⁵⁶, Consumer Coordination Council (CCC)⁵⁷, Consumer Education & Research Centre (CERC⁵⁸). All these organizations work for diverse consumer issues.

Illustration 18.5: Regulating Advertising Standards



SUMMARY

Consumerism or consumer activism, seeks to protect consumer rights. It can yield better results if supported by a large section of the consumer population and the benefits are greater than the costs involved. The issues related to consumerism could be many — from increasing prices to misleading advertising to business ethics to environment. In the U.S., consumer movements started in the early twentieth century and are still a part of their society.

Consumer privacy is an issue that has affected consumers all over the world. Online privacy is especially a cause for concern for consumers as personal information given by them to one organization is shared or even sold to other marketers without their knowledge. Often, consumers are not even asked permission regarding the use of their personal information. Sometimes personal information is secured without the knowledge of the consumers, when they are surfing online or making online purchases. The privacy of information provided by children to various websites too is becoming a major cause for concern. Consumers, however, are realizing the value of information on their purchase pattern and are showing a willingness to sell it to marketers through some trustworthy intermediaries.

Consumers are bombarded with marketing messages on a continuous basis. They, however, do not agree that advertisements are always for their information. The many charges brought by consumers against advertisements are – deception (false promises), artificial need creation, increased cost, materialism, use of offensive images or wording, etc.

A major concern for consumers has been with respect to marketing activities that directly or indirectly target children. It is believed that advertising can impact children adversely, as they are unable to understand the hidden motivators in it. Even products targeted at adults can affect children and influence their brand/product preference. Marketers also sometimes show children in the wrong light, say as child laborers, thereby glorifying a social evil.. Parents also charge that many products targeted at children promote consumerism. Products like credit cards and debit cards, lemon-flavored alcoholic drinks, nicotine water, and candy-flavored cigarettes are directly or indirectly influencing children.

Despite their perils, advertisements serve an important purpose in the form of social marketing. Social marketing refers to the use of commercial concepts for non-commercial causes like AIDS control, anti-child labor movement, family planning, etc. Social marketing initiatives usually lead to gradual changes in attitudes of the society.

Marketers, on their part, blame consumers for consumer frauds, consumer terrorism, and anti-consumerism. Consumer frauds include shoplifting, returning used merchandise, eating an unbilled item in the store, not reporting a favorable billing error, and returning merchandise bought on sale from one store to another store to get a refund, etc. Consumer terrorism refers to the tendency of some consumers to benefit at the cost of marketers. Anti-consumerism is a concept finding favor all over the world, with many organizations around the world actively considering 'buy nothing' days.

The watchdogs, i.e., the government and non-government organizations, are actively promoting consumer rights, which include the right to safety, right to be informed, right to choose, right to be heard, right to seek redress, and right to consumer education. Some important acts/regulations related to Indian consumers are the Consumer Protection Act, 1986; Bureau of Indian Standards Act, 1986; Essential Commodities Act, 1955; and The Standards of Weights and Measures Act, 1976.

Indian advertising has a self-regulatory body, the Advertising Standards Council of India or ASCI, to monitor advertising and take appropriate action.

Non-governmental initiatives for consumer rights are the various consumer-action groups like the Voluntary Organization in Interest of Consumer Education (VOICE), Consumer Coordination Council (CCC), and Consumer Education & Research Centre (CERC). All these work for diverse consumer issues.

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Glossary

A

Abrasive Advertising

Advertisements which depicts some problem. Such advertisements may be revolting to those who are not the target audience but they are highly persuasive as far as the target audience is concerned as they are able to associate with the problem and are more likely to adopt the solution offered in the advertisement.

Absolute Threshold

The lowest degree of sensory inputs at which the consumer becomes aware of a sensation.

Adoption

The acceptance of a new idea or product by consumers.

Advertising Appeals

Appeals used by marketers to cut through the advertising clutter across various media and hold audience attention for a few seconds. Some of the important advertising appeals are fear, humor, suggestive, and abrasive appeals.

Advertising Standards Council of India (ASCI)

A self-regulatory body in India which monitors the content of advertising and takes appropriate action based on complaints by consumers or industry against objectionable (misleading, deceptive, indecent, etc.) advertising.

Affective Component of Attitude

An individual's emotions or feelings toward an object can be termed as an affective component. Such emotions as anger, happiness, shame, distress, guilt, etc., lead the individual to develop a positive or negative attitude about an attitude object.

Affective Motives

A type of motive identified by William J. McGuire. This is an individual's motives to achieve a mental and emotional state of satisfaction.

Anti-consumption

A movement by consumers to counter over-consumption and the environmental issues arising out of over-consumption. This is done by celebrating 'Buy Nothing Day' (BND), the day when the participating consumers completely refrain from buying anything.

Attitude

A complex mental or neural state of readiness, organized through experience, exerting directive or dynamic influence on the individual's response to all objects and situations to which it is related.

Attitude Objects

All tangible and intangible things or subjects regarding which a person holds an opinion.

Attitude Scale

Types of scale used to measure attitude of consumers. There are four types of scales to measure attitude – graphic rating scale, semantic differential scale, ranking, and multiple item scale (Thurstone and Likert scale).

B

Balance Theory

The theory states that a person perceives a three-dimensional relationship between his views about the product and how he perceives other people to think about the product, and finally the product itself. However, if there is a conflicting (negative) relation between any of these elements, there will be an imbalance. In this case the person tries to seek and retain a balance in the relationship of these three dimensions.

Brand Communities

Brand communities consist of the group of people who are users of a particular brand.

Brand Equity

The amount of additional income expected from a branded product over and above what might be expected from an identical, but unbranded product.

Brand Leverage

When marketers leverage on brand equity by using the existing brand name for new products, it can be termed as brand leverage.

Brand Loyalty

Brand loyalty can be considered as the conscious or unconscious decision of a consumer that is reflected in his expressed intent or behavior to purchase and repurchase a product on a continuous basis.

Brand Personality

The set of traits people attribute to a product as if it were a person.

Buy Nothing Day (BND)

A day observed by anti-consumers in which they completely refrain from buying anything. In the U.S., BND is celebrated the day after Thanksgiving. The main reasons behind observing this day are over-consumption and the environmental issues arising out of it.

Buzz

An explosive self-generating demand by the consumers.

C

CAD

A personality assessment tool developed by Joel B. Cohen which recognizes three types of people; Compliant oriented, Aggressive oriented & Detached.

Celebrity Endorsement

Endorsement of a product or brand by a celebrity.

Classical Conditioning

A learning process in which an organism's behavior becomes dependent on the occurrence of a stimulus in its environment.

Cognition

The mental process of knowledge that is obtained from direct and various related sources.

Cognitive Component of Attitude

This consists of the beliefs, opinions, knowledge or information held by a person regarding an object or an issue.

Cognitive Learning Theories

Theories of learning that highlight the importance of learning through mental processing.

Consumer Behavior

Cognitive Motives

A type of motive identified by William J. McGuire. This refers to a person's need to mould himself and be in tune with his environment.

Collective Unconscious

A term introduced by Carl Jung which refers to all the memories an individual has in his subconscious mind from not only his infancy but also from his ancestors.

Common Man Appeal

Use of ordinary people in advertisements to demonstrate to prospective customers that persons like him are finding the product to be beneficial.

Communication

The exchange of thoughts, messages, or information, as by speech, signals, writing, or behavior.

Comparative Advertising

The type of advertising that compares one brand directly or indirectly with another brand.

Compatibility of Innovation

The measure of the consumers' perception of the innovation's consistency with their established usage and behavioral pattern.

Conative Component of Attitude

How the attitude of a person toward the 'attitude object' influences the action that the person takes or wishes to take regarding that object constitutes the conative component of attitude.

Conclusive or Primary Research

Conclusive research involves collecting primary data, directly from consumers, retailers, etc. Both quantitative and qualitative methods are used for data collection.

Conformity

Action or behavior in correspondence with socially accepted standards, conventions, rules, or laws.

Conscious Motives

When a person is aware of the motives they are called conscious or manifest motives.

Consumer Acculturation

The process of adoption to the cultural consumption values and behaviors of one cultural group by members of another cultural group.

Consumer Action Groups

Consumer groups that pursue different issues concerning consumers and their rights. In India, recognized consumer organizations can fight legal battles on behalf of affected consumers, even if they are not members of the particular consumer organization

Consumer Complaint Behavior

An action begun by the individual who entails a communication of something negative to a product (service), either towards the company or towards a third entity.

Consumer Ethnocentrism

The term is derived from the basic concept of ethnocentrism and has been defined as "the appropriateness, indeed morality of purchasing foreign made products. It is the degree to which consumers are receptive to foreign products or services.

Consumer Fieldwork

Consumer fieldwork involves the qualitative and quantitative techniques of consumer research to understand the influence of their culture on their behavior and its subsequent effect on their consumption patterns.

Consumer Imagery

The relationship between the consumer's self image and his perception of the image of the product.

Consumer Research

Research conducted to generate information pertaining to consumers. It answers the questions marketers pose, like – Who are the marketer's consumers? Why do they purchase from this particular marketer? Why do they purchase from competitors? etc.

Consumer Research Process

The process of defining the research problem and developing objectives, collection and evaluation of secondary data, designing the primary research, data collection, analysis, and final report.

Consumer Socialization

The process by which young people acquire skills, knowledge, and attitudes relevant to their functioning as consumers in the market-place.

Consumer Terrorism

A state where the consumer finds that wee bit of a loop hole in the product and service to make noise and money at the cost of the marketer who has faulted accidentally and not willfully.

Consumerism

The consumer movement seeking to protect and inform consumers, by requiring such practices as honest packaging and advertising, product guarantees, and improved safety standards. This is also known as consumer activism.

Content Analysis

An objective approach to analyze the cultural content of all kinds of verbal, written, and pictorial communication in a society.

Content Analysis

An objective approach to analyze the cultural content of all kinds of verbal, written, and pictorial communication in a society. The underlying principle is that communication is reflective of the cultural values and ways of life of a society.

Continuous Innovation

These innovations involve slight changes or modifications in product features which companies make at regular intervals to provide more variety to the consumer.

Core Value of Culture

The core values of a culture, in the context of consumer behavior, are based on three important criteria – acceptance by the majority of people in a society, endurance over a long period of time, and having a significant relationship with consumption behavior.

Counter Segmentation Strategy

Market segmentation strategy which involves clubbing all the segments together to formulate a common marketing mix.

Cues

The factors that drive the motives in a particular direction, i.e; suggest a specific way to satisfy a motive.

Cultural Capital

An important part of a consumer's social life. It consists of a person's unique tastes, skills, knowledge, and practices.

Culture

The totality of socially transmitted behavior patterns, arts, beliefs, institutions, and all other products of human work and thought. This regulates the consumer behavior of members of a particular society.

Consumer Behavior

Customs

Overt modes of behavior that constitute culturally approved or acceptable way of behaving in a specific situation.

D

Deceptive Advertising

Making false promises in advertisements that the advertised products fail to live up to.

Demographic Segmentation

Market segmentation which involves dividing the population on the basis of variables like age, sex, education, occupation, income, and marital status.

Differential Threshold

The minimum level of difference that a consumer can make out between two stimuli that he receives is called the differential threshold. Also known as Just Noticeable Difference (JND).

Diffusion

The process by which an innovation is communicated through certain channels over time among the members of a social system. The key elements of diffusion are: innovation, channels of communication, time, and social system.

Diffusion of Innovation

This explains how an innovation reaches the consumer and reasons for its acceptance or rejection by them.

Discontinuous Innovation

Revolutionary new products which completely change the existing consumer usage and behavioral pattern. They change the everyday life of the consumers and generally occur only once in a while.

Discretionary Income

The amount of an individual's income left, after paying tax and meeting all the basic needs like house rent, food, loan repayments, insurance, etc., which is available for inessential spending and for saving.

Dissonance

A psychologically uncomfortable state.

Dynamically Continuous Innovation

Innovations that are not as revolutionary as discontinuous innovations but affect the current usage pattern of the consumers quite a bit.

E

Ego

The state of mind that enables a person to exercise a conscious control over the id and also helps him or her to comply with the superego in the process of satisfying the wants.

Elements of Perception

The elements of perception are sensation, absolute threshold, differential threshold, and subliminal perception

Engel-Blackwell-Miniard Model of Decision Making

This model assumes that the consumers take a problem-solving approach in decision making and hence the consumer decision making process will start if consumer has a need or a problem.

Ethnocentrism

This means people viewing their own in-group as central, as possessing proper standards of behavior, and as offering protection against apparent threats from out-groups

Existing Self

The existing self refers to all the present and past experiences and aspirations of a person.

Experimentation

A method to collect primary data under the quantitative method.

Exploratory Research (Secondary Research)

In this research process information is collected from available sources of information. This involves collection and analysis of any published data for a purpose other than the current one.

Exposure

Exposure occurs when our senses deduct any external cues from the various things we come into contact with.

Extended Decision Making

In extended decision making process, consumers evaluate a large number of alternatives after conducting an extensive information search from both internal (from memory and past experiences) and external sources. Due to the large number of alternatives to choose from and overall high purchase involvement, this kind of decision making is considered to be quite complex and generally associated with high product involvement.

F**Fad**

An extreme situation of fashion which comes into existence overnight and becomes a craze with consumers, and dies as quickly as it shot up the popularity charts.

Family

Two or more persons related by blood, marriage, or adoption who reside together.

Family Life Cycle

The various phases through which a family unit passes through-for example: newly married, married with small kids, married with grown up kids, and empty nesters.

Family Lifestyle

The lifestyle of a family based on the couple's upbringing, education, past experiences, and certain agreed family objectives.

Five-factor Theory

The theory developed by Jeff McCrae and Paul Costa. It tries to explain how the study of the following five traits could help understand the personality of a consumer.]. These five traits are 1) Openness to Experience 2) Conscientiousness 3) Extraversion 4) Agreeableness and 5) Neuroticism. These five traits are abbreviated as OCEAN.

G**Generalized Opinion Leader**

Opinion leaders who are masters of various subjects (say, all kinds of consumer durable products, books, etc.)

Generic Goals

This refers to the set of general, common goals that people choose to satisfy their needs.

Geodemographic Segmentation

Kind of market segmentation which combines geographical and demographic variables.

Geographic Segmentation

This involves dividing the market on the basis of geographical characteristics like region, city size, density of population, and climatic conditions.

Consumer Behavior

Graphic Rating Scale

A widely used attitude measurement scale in quantitative research. Choice of attribute options usually numbering between 3 & 11 are given to the respondents.

H

Habitual Decision Making

This usually occurs when there is low purchase involvement. Here decision making takes place with the help of internal information search from memory and past experiences.

Household

A housing unit shared by persons who are either related or unrelated to each other.

Howard-Sheth Model of Buying Behavior

This model attempts to explain the complexity of the consumer decision making process in case of incomplete information. The Howard-Sheth model of buying behavior is quite helpful in understanding consumer decision making.

Hybrid Segmentation Approaches

Hybrid segmentation means combining more than one segmentation variable. Marketers usually segment consumers by combining several segmentation variables. They are psychographic-demographic segmentation, geodemographic segmentation, and SRI Consulting's Values and Lifestyle System (VALS).

I

Id

A state of mind that influences a person's strong, powerful, and intense desire to satisfy his or her basic needs such as hunger, thirst, and sex.

Ideal Self-Concept

A person's perception of who he wants to become.

Innovation

An idea, practice, or object perceived as new by an individual or other unit of adoption.

Innovativeness

The degree to which an individual or adoption unit adopts a new idea as compared to other members of the system.

In-store Displays

Audio or visual communication which immediately precedes the sale of any product or service. Also known as point-of-purchase display.

Integrated Marketing Communication (IMC)

The process of managing all sources of information about a product/service to which a customer or prospect is exposed which behaviorally moves the consumer toward a sale and maintains customer loyalty

Interpretation

Interpretation refers to the meaning the consumer derives from the ad presented to him.

Involvement

The level of interest that a consumer has in a product.

J

Joint Family

A joint family structure consists of two or more married siblings with their families living together.

Just Noticeable Difference (JND)

The minimum level of difference that a consumer can make out between two stimuli that he receives. Also known as differential threshold.

K

Karen Horney

An American psychiatrist known for her work on neurosis and psychoanalysis.

L

Learning

Behavioral modification especially through experience or conditioning.

Likert Scale

An attitude measurement scale. In this, a few statements regarding the object (product, service) are made and consumer is asked to agree or disagree with each of them. Each statement is assigned a score and the scale provides the summated score to the researcher based on what each respondent agrees or disagrees with.

Limited Decision Making

In this decision making process the consumer evaluates limited alternatives, and makes a choice based more on internal information search and some external information search (product attributes, discounts, etc.).

Loyalty Marketing

The practice of identifying best customers and engaging them in a relationship through event-driven retention tactics over a period of time.

M

Market Maven

A special category of opinion leaders who have market-involvement, rather than the product-involvement of the normal opinion leader.

Market Segmentation

The division of the entire consumer population into large homogeneous segments on the basis of variables like common needs, purchasing power, region, age etc.

Maslow's Theory of Need Hierarchy

Abraham H. Maslow, a psychologist, presented his theory of human needs called 'Maslow's Need-hierarchy theory.' Maslow stated that people in general would try to satisfy their needs in an ascending manner, starting with physiological needs, then moving to safety needs, social needs, egoistic needs or self esteem needs and finally self actualization needs.

Medium

The medium is the channel that facilitates the flow of communication from the sender to the receiver.

Metaphor Analysis

This is a qualitative attitude measurement tool which has emerged in recent years. It is based on the idea that words are not the right way to measure consumer attitudes.

Motivation

This refers to all the processes that initiate the drive in a person to perceive a need and pursue a course of action to fulfill that need

Motivational Research

Research which helps in identifying the underlying or subconscious motives of consumers by employing qualitative research techniques.

Motives

A motive is defined as the inner state that energizes, activates, or moves and directs or channels behavior toward goals

Consumer Behavior

Multi-attribute Model of Attitudes

This model helps in studying a person's attitude about the various features (or attributes) of the attitude object and also helps the marketers in predicting the purchase intentions of the consumers.

Myers-Briggs Type Indicator (MBTI)

The most widely used measure of personality types created by Isabel Briggs Myers.

N

Need for Cognition

The personality trait that recognizes a person's curiosity to know all the information regarding a product.

Neo-Freudian Theorists

The group of theorists who believed that apart from the unconscious biologic needs, personality was a result of social relationships (culture and history and other such factors). They included Jung Carl, Alfred Adler, and Karen Horney etc.

Neuroticism

The mental or psychological make-up of a person.

Niche

This is a specialized market segment. Niche market segments are quite small and have much less competition.

Noise

Anything introduced into the message that is not included in it by the sender in a communication process.

O

Observation

A method to collect primary data under the quantitative method. In this method the researcher can be a) non-participative, i.e., observe the research subjects from a distance without interfering, b) partially participative, i.e., indulge in limited role-playing or c) participative, i.e., get fully involved with the research subject

OCEAN

The abbreviation for the five traits 1) Openness to Experience 2) Conscientiousness 3) Extraversion 4) Agreeableness and 5) Neuroticism) mentioned in the five-factor theory.

Offensive Advertising

Advertisements which are quite disturbing and offensive made to catch public attention.

Opinion Leaders

People whom we perceive as experts in one thing or the other and from whom we seek advice in their respective area of expertise.

Organization's Business Center

All those individuals and groups who participate in the purchasing decision-making process, who share some common goals and the risks arising from the decisions.

Organizational Buying

The decision-making process by which formal organizations establish the need for purchased products and services and identify, evaluate, and choose among alternative brands and suppliers.

Organizational Buying Process

Similar to consumer buying process and include the following steps; problem recognition, need description, product specification, supplier search, proposal solicitation, supplier selection, order, and usage and performance evaluation.

Organizations' Buying Situations

Buying situations with respect to an organization which include straight rebuy, modified rebuy, and new task.

P

Perceived Risk

Consumer's perceptions of the uncertainty and adverse consequences of buying a product or service.

Perception

The process by which the individual selects, organizes, and interprets stimuli into a meaningful and coherent picture of the world.

Perceptual Defense

The process of distorting the stimuli subconsciously by consumers by screening out what they want to avoid.

Perceptual Mapping

A research technique wherein consumers are asked to list the traits they would associate with various products and also to write down all the adjectives they would use to describe them. This information greatly helps marketers in identifying consumer's perception about various brands.

Personality

An individual's characteristic response tendencies across similar situations or those inner psychological characteristics that both determine and reflect how a person responds to his or her environment.

Point-of-purchase Display

Audio or visual communication which immediately precedes the sale of any product or service. Also known as in-store display.

Post-purchase Dissonance

The state of anxiety the consumers experience after making a purchase; generally, it is the result of difficult purchase decisions.

Product Positioning

The technique used to highlight the differentiating aspects of a product from other competing products and thus give the company an edge over the competitors.

Projective Technique

A tool which is used in motivational research. In this technique the researcher shows the respondents a series of pictures and asks them to say what the picture means to them.

Psychoanalytic Theory of Personality

Psychoanalytic theory of personality' by Sigmund Freud projects the personality as the nucleus or the center of the interaction between the three systems, which are 1) the id 2) the superego, and 3) the ego.

Psychographic Segmentation:

Market segmentation which puts to use sociological, psychological, and cultural factors. In this method the psychographic profile of a consumer can be drawn on the basis of activities (job, hobbies, vacation, shopping, sports), interests (fashion, recreation, food, media), and opinions. (social issues, politics, products)

Consumer Behavior

Psychographic-demographic Segmentation

Hybrid segmentation which clubs psychographics with demographics. This multi-segmentation approach helps the marketer to draw a more accurate profile of the target consumers and is especially useful in designing the marketing mix

Psychological segmentation:

A type of consumer market segmentation based on psychological variables like consumer motivation, personality, attitude, and learning.

Q

Q-sort Technique

A self-concept assessment method.

Qualitative Research

Non-numerical study and analysis of consumers.

Quantitative Research

Study and analysis of consumers using numerical data.

R

Rate of Adoption

The speed with which an innovation spreads within the social system (target market).

Reference Group

A group of individuals whom one refers to or who serve as a point of reference, with regard to formation of behavior, beliefs, attitudes, and aspirations. Marketers view reference groups as people who are consulted or who influence an individual's purchase decisions.

Rehearsal

The process of repetition of information in one's mind, so that such information can be transferred from the short-term store to the long-term store. If the rehearsal does not occur, then the information is lost within a short time.

Reinforcement

The probability that a given response will be repeated in the future in response to a particular stimulus.

Relative Advantage

The additional perceived benefits an innovation offers as compared to the existing alternatives.

Repeat Purchase Decision

The situation where the consumer believes that all brands in one product category are same and then tries any one brand and finds it satisfactory and then repeatedly purchases it without trying any other brand.

Resistance to Innovation

The resistance offered by the consumers to an innovation, either because it poses potential changes from a satisfactory status quo, or because it conflicts with their belief structure.

Retailing

Those business activities involved in the sale of goods and services to consumers for their personal, family, or household use. It is the final stage in the distribution process.

Retrieval

It is the stage of information processing at which a person recovers information from the long-term memory.

Ritual

A type of expressive, symbolic activity constructed of multiple behaviors that occur in a fixed, episodic sequence, and that tend to be repeated over time.

Rokeach Value Survey

A frequently used method of measuring cultural values. It is now increasingly being used to segment the population into groups that have common shared values.

S**Self-Perception Theory**

A consumer has an opinion about his or her tastes and attitudes and these attributes of the consumer's personality are reflected in his actions.

Semiotics

Semiotics is the process through which consumers correlate various symbols and signs with certain beliefs, perceptions, etc. Understanding semiotics helps marketers understand how consumers interpret the symbol and color of the product, brand logo, and message.

Sender

The sender is the source of the message.

Sensation

When a person is exposed to any of the marketing stimuli or an ad, the first reflex that is initiated in him is known as sensation

Shopping Group

A shopping group or purchase pals are the people who accompany consumers while they go out shopping.

Social Class

A hierarchical division of a society into relatively distinct and homogeneous groups with respect to attitudes, values, and lifestyles.

Social Judgment Theory

A person will evaluate any new information (about a product), given to him in the light of the opinion that he already has about that product.

Social Marketing

Adaptation of commercial marketing and sales concept and techniques to the attainment of social goals.

Social Self-concept

The perception of how one would like to be seen by others.

Social System

A set of interrelated units that are engaged in joint problem solving to accomplish a common goal. All the members of a social system have their own social and cultural environment in which they interact with each other.

Socio-cultural Segmentation

Type of market segmentation which combines sociological (group dynamics) and cultural (core cultural values) factors. The segments can be on the basis of family life cycle, social class, and culture, sub-culture, and cross-cultural variables.

Source Credibility

The perceived honesty of the source in communication process.

Consumer Behavior

Split-brain Theory

This theory states that the human brain is divided into the left and right hemispheres. The left hemisphere is linked to rational and logical thinking. It processes information pertaining to reading, writing, speaking, and such other forms of information and forms mental based on this. The right hemisphere of the brain, is emotional and spontaneous, and it is involved in analyzing nonverbal and pictorial representations of information.

Spokes-Characters

A fictional person created by the marketer that closely resembles the brand personality or just helps deliver the brand message with greater effectiveness. It can be a person or an animated character, new persona or a well-known cartoon character.

SRI Consulting's Values and Lifestyle System (VALS)

A typology developed by SRI Consulting to segment the American population based on values and lifestyle. Although originally it was intended to explain the change in American society, it was later applied to marketing.

Status Symbol

A status symbol is something, such as a possession or an activity, by which one's social or economic prestige is measured.

Stimulus

Anything that initiates an individual to take action is said to be a stimulus.

Stimulus Discrimination

This is a process where a specific stimulus is selected from a group of similar stimuli. Stimulus discrimination is the opposite of stimulus generalization.

Store Image

The way in which the store is defined in the shopper's mind, partly by its functional qualities and partly by an aura of psychological attributes.

Sub-culture

A social group within a national culture that has distinctive patterns of behavior and beliefs.

Subliminal Messages

The messages that are not consciously registered in our memory.

Subliminal Perception

Perception of very weak stimuli by our subconscious mind without the actual awareness of the person as the threshold level for actual awareness is higher than that of actual perception.

Superego

The system that directs a person's psyche with regard to his or her behavior as a social being.

Surrogate Buyer

The term used for the professionals hired by actual purchasers to filter the huge amount of store, product, and brand information available, evaluate the product options available, and make recommendations.

Survey

A common method for collecting primary data under the quantitative method. A survey generally involves interviewing a chosen sample for information.

T

Target Audience

The set of consumers who are targeted in a marketing communication process.

Techno Class

A new class of people, who are comfortable with technology, especially computers and the internet as against people who are low on computer literacy.

The Concept of Self

This refers to an individual's view about himself in matters of his tastes, personality, capabilities, shortcomings etc.

The Feedback

Response to the message sent by the receiver to the sender. It can be verbal, nonverbal, or a combination of both.

The Nicosia Model

The Nicosia Model, also known as Systems Model, explains the consumers' buying behavior from the marketers' perspective. This model suggests that the marketers' communication can influence the prospective consumers' attitude towards the product/brand and trigger consumer interest and further search and evaluation of the product/brand.

Theory of Involvement

A theory developed from a research called Split-brain Theory.

Theory of Reasoned Action

This theory tries to understand the intention of the consumer with regard to either 'buying a product or avoiding it', by examining 1) the consumer's attitude toward the outcome of his or her behavior, and also 2) a consumer's perception about other people's belief about such an action or behavior.

Trait

Any distinguishing, relatively enduring way in which one individual differs from another.

Trait Theory

The theory that tries to study personality in terms of exclusive individual characteristics called traits.

U

Unconscious or Latent Motives

When a person himself is not conscious about his motives they are called as unconscious or latent motives

Undifferentiated Marketing Strategy

The Strategy of targeting multiple segments with one marketing mix.

Use-Related Segmentation

Market segmentation on the basis of usage rate, awareness status, and brand loyalty.

W

Work Groups

Peers, subordinates, and superiors of a person form his work group.

Z

Zaltman Metaphor Elicitation Technique (ZMET)

A qualitative non verbal attitude measurement tool. It studies how consumers make sense out of something.

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