Introduction to Consumer Behaviour
Lecture 1

SRABANTI MUKHERJEE

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Learning Objectives

- Nature and scope of consumer behaviour
- Application of consumer behaviour principles to strategic marketing
- Characteristics of worldwide consumers
- Special characteristics of Indian consumers
- Distinctive characteristics of Indian rural customers
- Simple five-stage consumer decision process

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Who is a Consumer?

- A consumer is a person or an organizational unit that plays a role in the consumption of a transaction with the marketer or an entity. The term consumer refers to both the household and the business markets.

- The five main buying roles are as follows:

a. The initiator – the person who decides to start the buying process.
b. The influencer – the person who tries to convince others that they need the product.
c. The decider – the person who makes the final decision to purchase.
d. The buyer – the person who is going to pay
e. The user – the person who ends up using your product, whether he had a say in the buying process or not

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What is Consumer Behaviour?

- Consumer behaviour has traditionally been thought of as the study of “why people buy”, with the premise that it becomes easier to develop strategies to influence consumers once a marketer knows why people buy certain products or brands.

- Engel et al.(1995) defined consumer behaviour as “those acts of individuals directly involved in obtaining, using, and disposing of economic goods and services including the decision process that precedes and determines those acts”.

- Schiffman and Kanuk(2004) defined consumer behaviour as the behaviour that a consumer displays in searching for, purchasing, using, evaluating, and disposing of products, services, and ideas which they expect will satisfy their needs.

- In short, the study of consumer behaviour provides an eye opening lesson regarding individual’s decision making to optimize utility from consumption with their available resources (money, time, and effort).

- In other words, the study of consumer behaviour answers the following questions about the consumers– what they buy, why they buy it, how they buy it, when they buy it, where they buy it and how often they buy it.

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What is Consumer Behaviour?

Consumer behaviour refers to those acts of individuals that are directly involved in obtaining and using economic goods and services, including the decision processes that precede and determine these acts (Engel et al.,1995) .

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Nature and Scope of Consumer Behaviour

- The knowledge of consumer's needs, wants, attitude, and beliefs helps firms to improvise their marketing strategies by understanding issues such as:

  - ✓ how the consumers think, feel, comprehend, and select amongst various competing brands;
  - ✓ how they are influenced by their environment (e.g., culture, family, signs, media);
  - ✓ what is the pattern of shopping behaviour they are exposed to;
  - ✓ what are their motivational parameters;
  - ✓ how their decision strategies differ between products that differ in their perceived level of importance.

- These understandings help the marketers to adapt and improve their marketing campaigns and strategies to more efficiently reach the consumer.

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Important changes in the nature of the modern consumers

- Movement from collectivism to individualism
- Trade up and trade down and value vaulters
- Focus on health and fitness
- Increased consumer assertiveness
- Boom in online shopping

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Characteristics of Indian Consumers

- India is a huge country with 28 states, over one billion populous and 120 dialect/languages.
- The Indians consist of diverse segments of consumers, depending on the various social classes, place of inhabitancy, caste, race, and various other spectra.
- The Indian consumers have a towering scale of value orientation, which projects them as one of the most sensitive consumers in the world.
- Indian consumers have high degree of family orientation.

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Different Segments of Indian Consumers(MARTRADE Chennai, October, 2005)

- ***The Socialites***
- ***The Conservatives***
- ***The Working Women***
- ***Indian Rich***

(a) The rich
(b) The super rich
(c) The ultra rich
(d) The sheer rich
(e) The Obscenely rich

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Indian Rural Consumers of 21st Century

Change in Purchasing Pattern

- ✓ The rural market grown in quantitative as well as qualitatively too it has undergone a significant change.
- ✓ Trends indicate that the rural markets are coming up in a big way and growing twice as fast as the urban markets, witnessing a rise in sales of hitherto typical urban kitchen gadgets such as refrigerators, mixer–grinders, and pressure cookers.
- ✓ Even in lifestyle products, rural India shows a trend to be significant over the next five years.

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Reasons for Changing Purchase Patterns in Rural India

- *Increase in the agricultural output*
- *Growth in Education*
- *Exposure to Mass Media*
- *Innovative pricing and non-conventional distribution*
- *Growing interaction with the urban consumers*

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Impact of Change in Consumers Profile on the Marketing Decisions

- Increase in online marketing
- Increasing celebrity endorsements
- More quality oriented outlets
- More sales promotion offers
- Inclination towards eco-friendly and herbal products

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The Application of Consumer Behaviour Principles to Marketing

To decide:

- What task does this product or service dish up for the consumers in a target market? And what does it signify to them?
- What attributes or features of the product are most significant to the target market?
- What types of packaging and labeling information would best dole out consumers and draw them to purchase the product? What brand name and trademark for the product would generate the appropriate image in the target market?
- What kinds of pre-sales or post sales services would gratify consumers in the target market?
- How many models, variations, or sizes of the product are needed to gratify various target markets?

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Godrej Chotookool



Selling chocolates and milk products to customers

Image source: http://officeneeds.sulekha.com/low-cost-chotukool-refrigerator-from-godrej_602985_blog



Image source: https://www.chotukool.com/

The Application of Consumer Behaviour on Principles to Marketing

To decide:

- How much are the consumers in a target market ready to pay for a particular product?
- At what price would consumers in this market judge this product is of worth?
- What do specific prices correspond to consumers about the quality of a particular product?
- If the price of a product were lowered in the short run, would consumers carry on to buy the product when it reverts to full price?
- Would consumers stop purchasing the product if the price were increased enduringly?
- How significant is price to consumers in a fastidious target market?

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The Application of Consumer Behaviour on Principles to Marketing

To decide:

- What are the finest media for reaching a target market for a particular product?
- What image should advertising try to craft about a product?
- What types of sales promotions would be most effectual for getting customers to buy a product?
- What should be the salespeople's approach to match consumers' needs and wants with particular products?
- What task should publicity perform in communicating with customers about a product?

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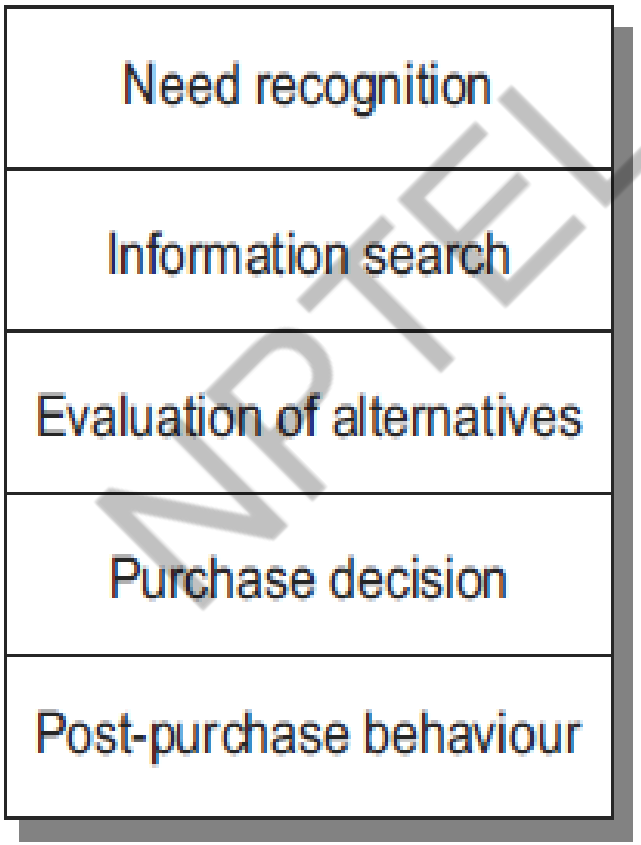
The Application of Consumer Behaviour on Principles to Marketing

To decide:

- Would consumers have a preference to purchase a product in stores or from different channels, such as mail-order catalogs or store sales people?
- What reflection does various stores and chains have that might influence consumer preference and purchase behaviour for various products?
- Do various stores have particular environment that might influence consumer purchase of a product?

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The Simple Five Stage Consumer Decision Process



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The Changing Patterns of Consumer Behaviour

Lecture 2

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Learning Objectives



- **The benefits of anticipating trends in customer behaviour**
- **Worldwide trends consumer dynamics**
- **Implications for the trends for the three consumer roles**

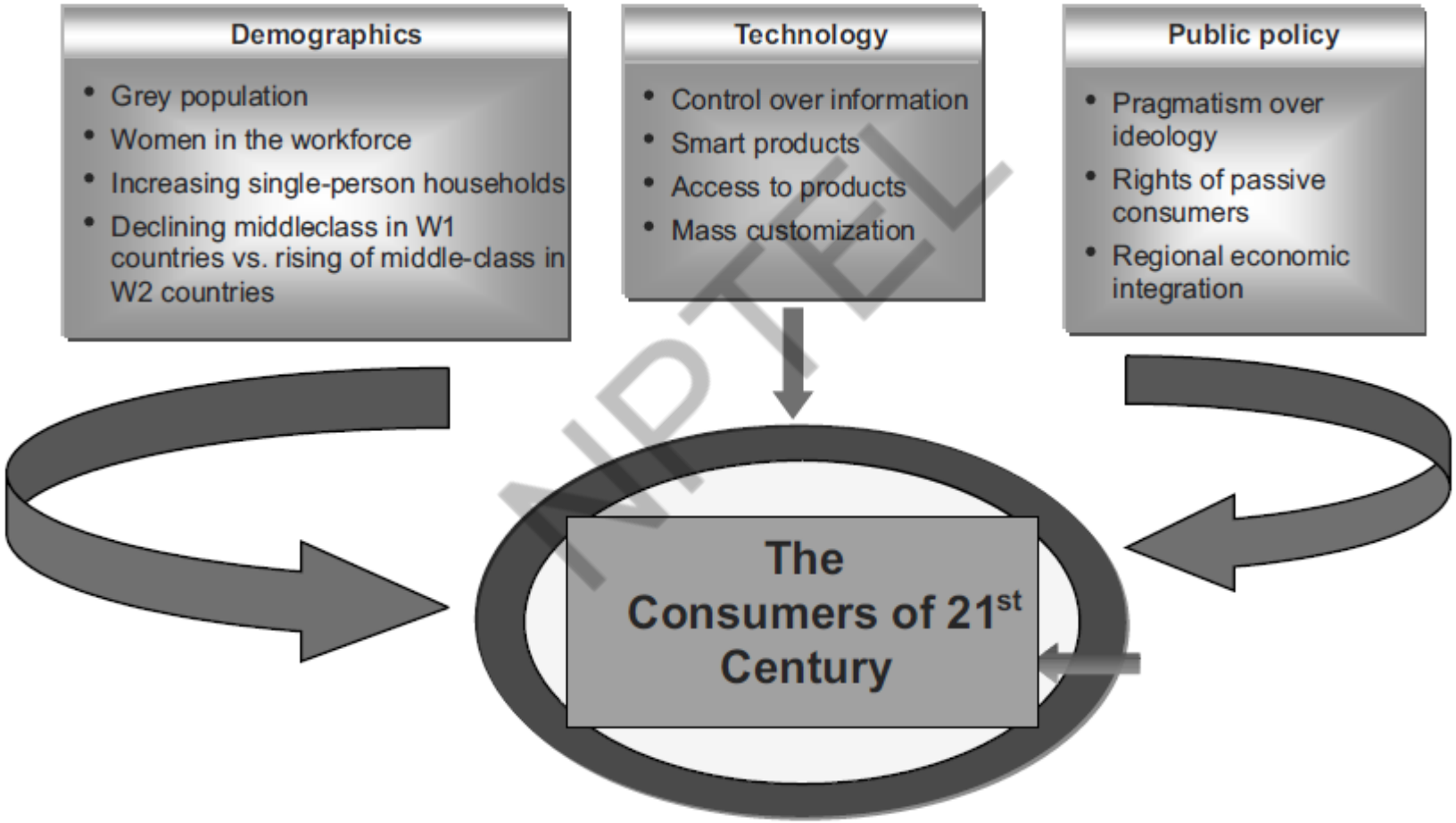
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Benefits of Foreseeing Trends in Customer Behaviour

- Anticipating trends can give companies a key calculated gain.
- By unearthing a trend, the industry can craft a market by channeling a latent need.
- Anticipating trends render quickness to respond to change. As Charles Darwin says, “It’s not the strongest of the species that survives, nor the most intelligent; it is the one most adaptable to change”.

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The Major Worldwide Changing Trends



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Demographic Trends

- Aging of the Population
- Fitness at the Rise
- Single parent households
- Women in the workforce
- The Declining of middle-class in W1 vs. the Rising of middle-class in W2 and W3 (Hines, 2008)

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Innovative Senior Care-US

Innovative Senior Care (ISC), the in-house therapy division of Brookdale® Senior Living, is slowly changing the lives of US senior residents. Their Care3 Wellness programs “help minimize the effects of aging by providing treatments promoting functional independence, improving overall health and techniques for preventing pain and disability”.

(Source: http://www.brookdalecareers.com/why-innovative-senior-care.cfm)

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Tanishq- Mia (My Expression Contest)

"With this campaign, we wanted to venture into a new space and reach out to a different set of consumers, the young working women - who are largely disconnected from traditional jeweller"

---------- said Sirish Chandrashekhar, Senior Marketing Manager, Tanishq

(Source: http://www.campaignindia.in/article/tanishq-gets-young-women-to-interpret-design-utility-for-mia/416737)

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Implications on Demographic Trends on Consumer Behaviour

Change in demographics	*User*	*Payer*	*Buyer*
Increasing aging population	Augmented health and security needs. Need for pilgrim tours, religious books, spectacles, walking sticks, old age homes, etc.	Cost containment for health-care is an anxiety. Renewal of Mediclaim. Getting advantage of senior citizenship in railways, airlines tickets, and in many other projects	Home delivery and handiness in purchase becomes crucial. Keeping this into consideration, many old age projects are coming up to provide comfort and ease of purchase to the older populace
Increasing working women	Emphasis on timesaving cooking, cleaning gadgets, crèche for childcare, fast food for children	Affordability fairly improved. Many families are DINKS (double-income-no-kids). Their affordability is quite high	Male–female role specialization no longer exists. Females now take part in those buying decisions which were till a decade ago strictly male's domain. Especially in case of investing in several financial schemes female participation is quite remarkable now
Single-person households	Products of social and emotional values attain importance. Emphasis on timesaving cooking, cleaning gadgets, crèche for childcare, fast food for children	High affordability	Tendency for more impulse buying and pragmatic decisions
Increasing middle class	Demand for medium priced goods	Ready to pay premium price for luxury goods but price sensitive in case of routine goods	Very cautious customers and first time buyers for many products

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Technological Trends

- 24×7 interconnected world
- More access to information
- Introduction of smart products
- More tech savvy customers

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Implications on Technological Trends on Consumer Behaviour

Changes in technology	*User*	*Payer*	*Buyer*
Access to information	More tailored products	More information about the competing brands' prices	Shopping on the Web/virtual shopping malls. More product information on demand through emails
Smart products	A smart product with memory for user's likings	Updated methods of customers' and marketers' identity verification guarantee protection against deceptions	Automated purchase from virtual malls orbuying direct from the factory by electronic data interchange system
Tech savvy buyers	Uses of hi-tech electronic gadgets are increasing	Customers are becoming more and more technology-savvy. In many cases payments are made online for example, railway booking, airlines booking, etc.	Buyers can purchase from virtual shopping centres like www. amazon.com, www.ebay.com, etc.

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Trends in Public Policy

- **Economic Pragmatism over Ideology**
  - **Pragmatism over Political Ideology**
  - **Pragmatism over Religious Ideology**
- **Increase in Rights of Passive Consumers**
- **Regional Economic Integration**
  - **NAFTA (United States, Canada, Mexico)**
  - **SAFTA (India, Pakistan, Bangladesh, Bhutan, Maldives, Sri Lanka)**
  - **ASEAN(Indonesia, Malaysia, The Phillipines, Singapore, Thailand, Brunei Darussalam, Vietnam etc.)**

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Implications of Public Policy Trends on Consumer Behaviour

Public policy	*User*	*Payer*	*Buyer*
Economic pragmatism	Superior products due to open-market economy	Reduced prices due to tough competition amongst the multinational corporates	Easy and fast movement of the global across the globe
Rights of passive consumers	Consumer's rights for information, the consumer forum, and the consumer court legally ensured protection against passive consumption.	A financial penalty for consumption disturbing other's health or property.	Difficult to use societal harmful products/services in public places.
Regional economic integration	Seasonal products available for year-round consumption everywhere across the globe. World has become a global village.	More cost-effectively created and more cheaply priced products and services.	Easier to obtain products and services from varied consumption cultures.
	Exposure to diverse consumption cultures resulting in cross-cultural consumers.		Local accessibility of international products.

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Overall Implications of Changing Trends of Consumer Behaviour for the Marketers

- Significant move in marketing strategies will take place in the forthcoming years.
- A sway will occur from product oriented strategies to the service oriented ones.
- Most of the organizations will propose for more security, excellence, and enhanced capability.
- Marketers will need to tailor their products more and more in consultation with the customers.
- Smart and timesaving methods of productions and distribution will emerge.
- Apart from just rampant promotion, more emphasis has to be laid on boosting up the emotive, cultural, and social values and ethos as a part of their marketing strategy in the 21st century.

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Dimensions of Consumerism

Lecture 3

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Learning Objectives

- **Concept of consumerism**
- **Issues related to consumerism**
- **Threats of child consumerism and its implication particularly in India**
- **Consumer Protection Act, India, 1986**

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What is consumerism?

- Consumerism is “a social movement seeking to augment the rights and powers of buyers in relation to sellers”: Kotler (1972)
- Consumerism is “the voicing of consumer discontent and the furtherance of corrective actions”: Maynes (1990)
- It is defined as “a citizens’ movement which will make broad-reaching social, ecological, and political demands on suppliers of goods and services”: McIlhenny(1990)
- From the W2 and W3 angle, consumerism has been delineated as “the efforts made either by the consumer himself, the government, and/or independent organizations to protect the consumer from the unscrupulous practices of businesses in their quest for profit”: Onah (1979).

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Issues pertaining to consumerism

- **How the products and wealth we devour are created?**
- **Is there any negative impact of that process of production on the environment, society, or individual?**
- **Do our forms of consumption pose any threat to the environment, society, or individuals?**
- **Is our purchase a necessity or simply lavishness?**
- **To what extent is our consumption basket influenced by advertising strategies of the marketers?**

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Consumerism in Developing Countries

The study of Thorelli (1990) on attitudes toward consumerism in four developing countries Singapore, India, Nigeria, and Kenya—is worth mentioning.

This study scans the present extent of consumerism in these countries and judges them against the underlying dimensions of marketing strategies. These countries symbolize two different continents (Africa and Asia). Hence, the study provides an interesting facet to the evaluation of dimensions of consumerism in two different continents.

According to this study, consumerism in developing countries arises out of the following reasons:

(a) Lack of quality control of locally manufactured products,
(b) Poor logistics services,
(c) Perceived low importance of consumer satisfaction to the vendors who willingly trade adulterated products.

However, consumerism in most W3 countries is a subject of government policy and legislation. In particular, it is the proficient enactment of such policies rather than an issue of affianced public support system.

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Marketers' Response to Consumerism

- Consumerism is a prospect for those corporate managers who are able to spot and foresee the consumer's needs and wants.
- Explicitly, the corporate needs to identify those groups of people who really need, use, and purchase their products directly.
- Consumer-oriented marketing also calls for checking of pricing strategies by the companies and finding out their relevance and appropriateness to general consumers.
- It also involves the process of scrutinizing the effectiveness of the existing distribution channel. These tests are performed to assess a particular store's aptness to carry a product title.
- In this era of "customer is the king", all distribution strategies are pinpointed towards the lone goal of selling multiple assortments from multiple touch points to intensify the business

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Child Consumerism: The Veritable Threat

With almost the similar properties arising out of the rapid societal change in this century, the most pertinent question for the Indian children is: how does the rising trend of consumerism shape their destiny?

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Consumer Protection Act, 1986

The Consumer Protection Act, 1986 (Act no. 68 of 1986) is a signpost in the history of socio-economic legislation in the nation.

The key object of this latest law is to endow the consumers with better safety and security by offering uncomplicated, prompt, and economical remedy to aggrieved consumer.

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How to file complaints?

A complaint, either handwritten or typed on a plain paper, can be filed by a consumer, a registered consumer organization, central or state government and one or more consumers identified by common concern.

In this processing stamp or court fee is not required.

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On which grounds?

- Any unfair trade practice or restrictive trade practice adopted by the trader
- Defective goods
- Deficiency in service
- Excess price charged by the trader
- Unlawful goods sale, which is hazardous to life and safety when used

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Consumer Courts

- District Forum: For claims up to Rs. 20 lakh
- State Commission: For claims above Rs.20 lakh but less than Rs. 1 crore
- National Commission: For claims above Rs.1 crore

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But..

- The nature of complaint and the relief sought by the consumer must be evidently cited.
- It has to be filed in quadruplicate in district forum or state commission (as the case may be) if it is against only one opposite party.
- In case of multiple parties, additional copies are to be filed simultaneously.
- By and large complaint should resolute within 90 days from the date of notice issued to the opposite party.
- In case a sample testing of any product is needed, a complaint is to be disposed off within 150 days.

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Consumer courts may grant the petitioner the following reliefs:

- Repair of defective goods.
- Replacement of defective goods.
- Refund of price paid for the defective goods or service.
- Removal of deficiency in service.
- Refund of extra money charged

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Use of Market Segmentation in Consumer Behaviour Lecture 4

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Need for Market Segmentation

- Market segmentation is one of the most significant concepts in consumer behaviour and marketing literature.
- A large portion of consumer research is concerned with segmentation. Selecting a suitable target market is dominant in developing a marketing strategy.
- Earlier, many marketers focused on target markets in an all-purpose, non-personal way.
- But today enhanced methods of marketing research and efficient computers that can handle large databases give the marketers a detailed personal information on many members of their target market.
- This facilitates the firm to target appropriate and profitable segments to market its products.

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Defining Segmentation

Market segmentation can be defined as the process of dividing a market into groups of individuals with homogenous needs. It is the process of identifying and describing potential target markets.

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Steps of Market Segmentation

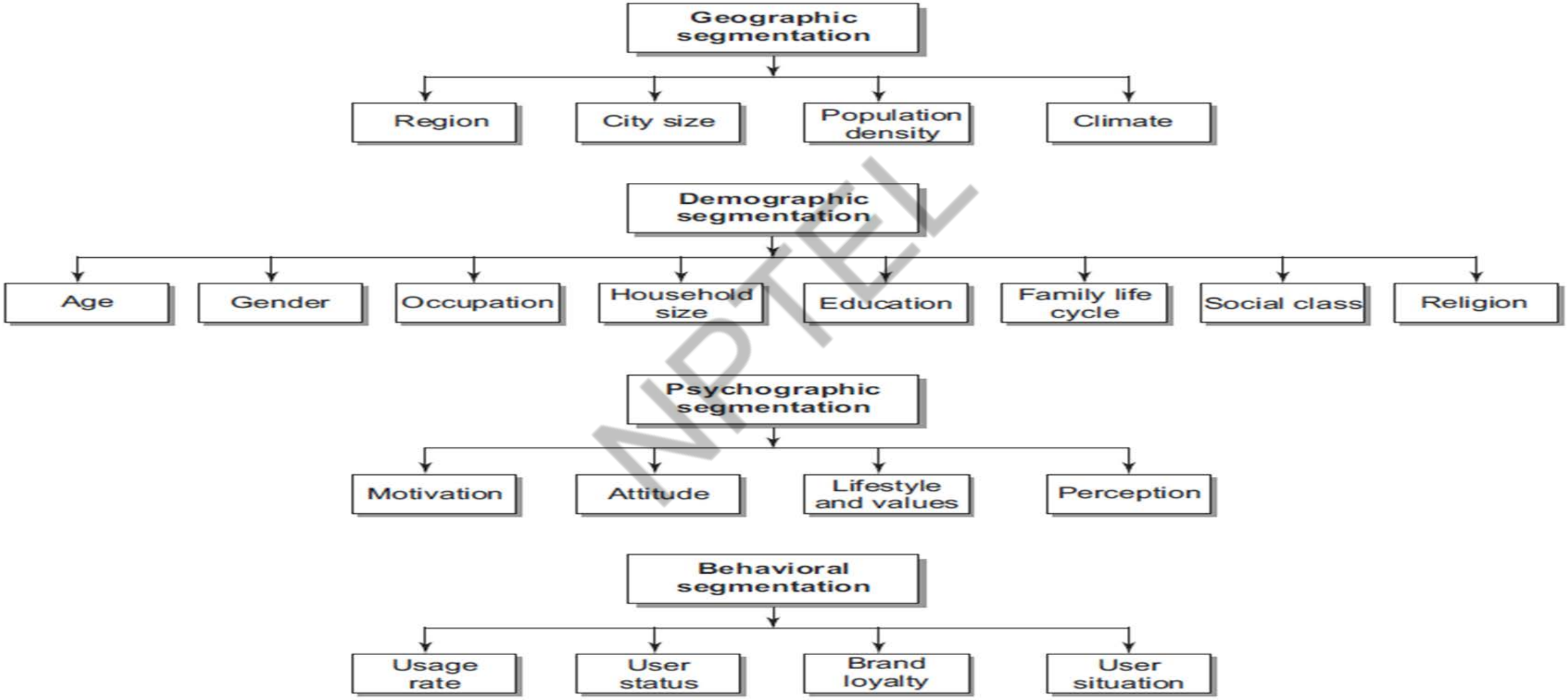
Step 1: The first job involved in segmenting the markets is analyzing consumer-product relationships. This necessitates analysis of the affect and cognitions, behaviours and environments involved in the purchase/consumption process of a particular product.

Step 2: The second task of the marketers is to decide the relevant bases for segmenting the markets.

Step 3: The third task of the marketers is to choose the suitable segmentation strategy.

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Bases of Market Segmentation



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Figure 1.2 Bases of segmentation

Criteria for useful segmentation

However, whether or not to go for market segmentation depends on the following criteria:

–

- *Measurability* It refers to the ability of the firm to obtain information about the size, nature, and behaviour of a market segment.
- *Accessibility* It is the degree to which the targeted segments can be reached.
- *Sustainability* It refers to the size of the market, i.e., whether the segment can generate adequate volume of sales for its feasibility or not.
- *Congruity* It refers to how similar the members within the segment are in terms of behaviours or characteristics that correlate with the behaviour.

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Micromarketing

Micro-marketing is the process of treating each customer is treated as single segments (Etzel et al. 2001) or targeting specific customers within a niche market.

For example: Designing dresses of a hero in a particular movie

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Targeting

- A target market is the group of potential customers for whom the entire marketing efforts are planned and the marketing mix is designed.

For e.g.: Dove targets high income consumers and Lifebuoy targets the base of the pyramid.

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Targeting are of three types:

- *undifferentiated strategy*
- *concentration strategy*
- *multiple-segment strategy*

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Behavioural Targeting (Schiffman, Wisenblit and Kumar(2016), Consumer behaviour; Pearson Education. 11th ed)

- Tracking online navigation
- Geographical Location and Mobile targeting
- Purchase behaviour
- The information “Arms Race”.

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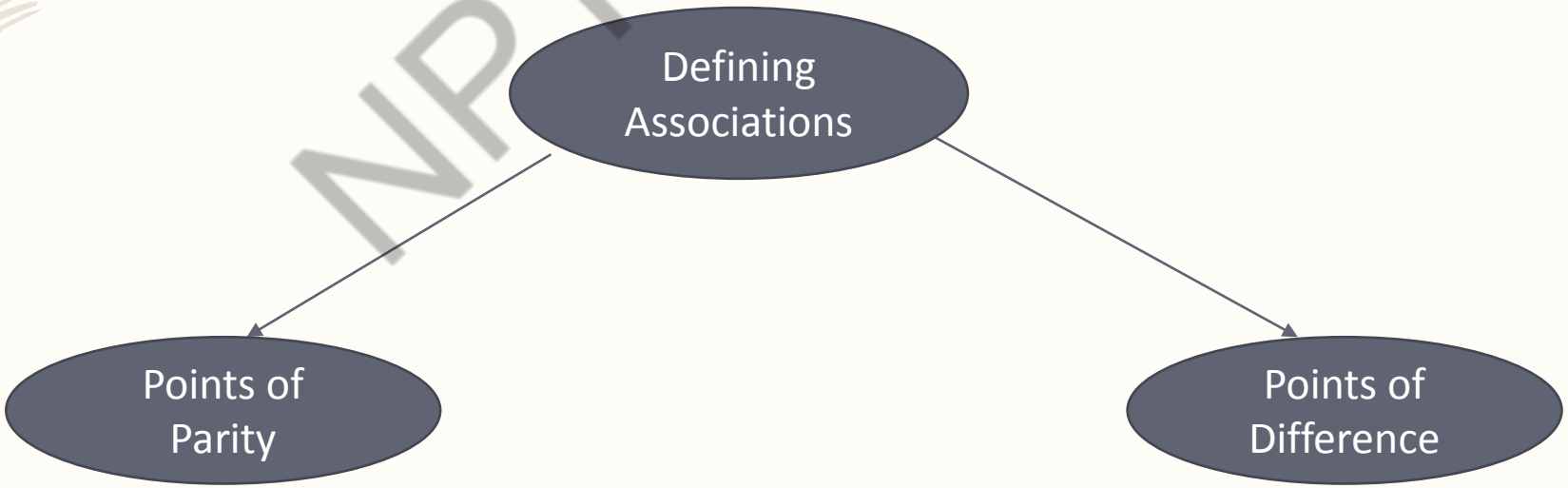
Guidelines in selecting a target market

- Check the target markets' compatibility with the firm's goals and image.
- Check the target markets' match the firm's resource capacities and abilities.
- The target market should be realistic and have profit potential.
- Analyse the nature of competition in the target segment.

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Positioning and re-positioning

- **Positioning** is the act of designing the company's offering and image to occupy a distinctive place in the mind of the target market.



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Steps of Positioning and Repositioning

A. Selecting the concept of positioning —determine what features, price etc. are important to the target market.

B. Designing the points of parity and points of difference that most effectively conveys the position

C. Designing the marketing mix components to convey a consistent position.

D. Repositioning—recreating an identity or creating a new identity when the firm's position has eroded.

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Thank you

Process of motivation Lecture 5

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Chapter Goals

- The importance of understanding customer motives
- The process of motivation

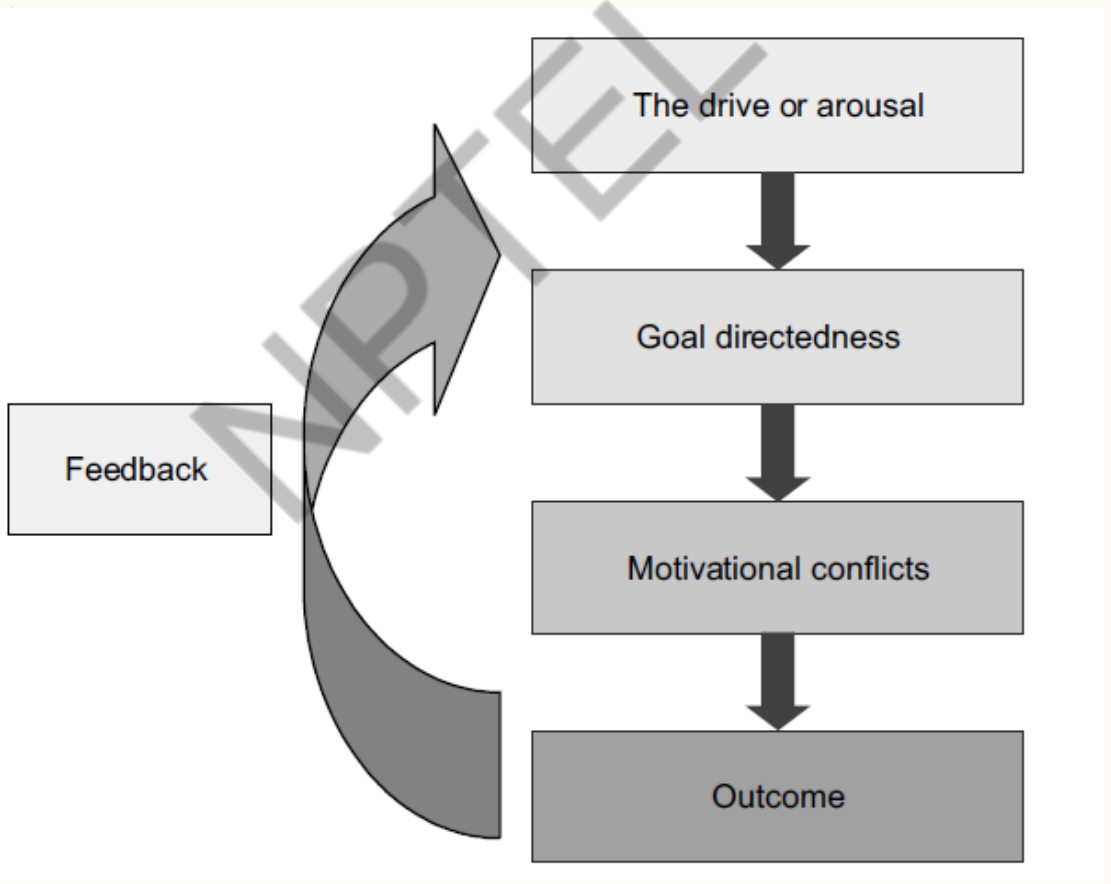
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Motivation-Defined

- Motivation is the defined state of drive or arousal that propels behaviour toward a goal object.
- Motivation is comprised of two components: drive or arousal and goal object. In other words, motivation may be referred as the state of mind that energizes and directs goal-oriented behaviour.
- Eminent psychologists state that motivation might be entrenched from the basic need to quench thirst or satisfy hunger to less-apparent reasons like satisfying hedonism, altruism, morality, or avoiding mortality.
- Fonvielle (1997) advocated that if a company's marketing section needs to figure out how to stimulate a target group to persuade in favour of their brands, they first have to identify what their target group actually needs. Here the central question of consumer behaviour is rooted: how the purchase motives are spawned.

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The Process of Motivation



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The Steps

- **Drive or Arousal**

- When a person feels a difference between the present state and the ideal state, an inner force directs him towards attainment of the ideal state. This inner force is called the drive.

- **Goal Directedness**

- Motivation is directed towards the attainment of one's goal. Marketers try to produce goods and services that will endow the customers with desired benefits and allow them to trim down the state of tension

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The Steps (contd…)

- **Motivational Conflicts**

Kurt Lewin (September 9, 1890–February 12, 1947), a distinguished German-born psychologist and the founder of social psychology, shaped the conflict theories about individual's experience as:

1. Approach–approach conflict: An individual must opt between two enviable alternatives.

2. Avoidance–avoidance conflict :When an individual needs to make a choice between two undesirable alternatives, avoidance–avoidance conflict occurs.

3. Approach–avoidance conflict: An approach–avoidance conflict occurs when one goal contains both positive and negative characteristics.

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The Steps (contd…)

- **Outcome**
  - Outcome relates to motivation generated out of this process. It can be of two types—intrinsic and extrinsic.
  - Intrinsic motivation comes from rewards inherent in a task or action itself, like the pleasure of solving a puzzle or the passion for playing chess.
  - Extrinsic motivation comes from external factors like money..
  - In fact, Lewin's social psychological research pointed that extrinsic satisfactions can well lead over to rationalization and a subsequent diminution in intrinsic motivation. Extrinsic incentives at times can wane the motivation as well.
  - D. Greene and M.R. Lepper, in 1974, had written a classic article titled 'How to turn play into Work' while focusing on the intrinsic behavioural pattern of the kids when they played with toys. In their study, it was observed that children who were sumptuously rewarded for sketching with felt-tip pens later showed little interest in playing with the pens again.

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The Steps (contd…)

- Feedback

The experience in the motivational process results in increased drive or internal force to attain the goal.

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