Influencing Factors for Adoption and Opinion Leadership

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Attributes of Innovations and Rate of Adoption

Rogers (2003) illustrates the innovation-diffusion process as 'an uncertainty reduction process' (p. 232), and suggests some attributes of innovations that facilitate to reduce uncertainty of adoption of innovation. Basically, as Rogers suggests, five basic characteristics attribute to the rate of adoption. They are (i) relative advantage, (ii) compatibility, (iii) complexity, (iv) trialability, and (v) observability.

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Relative Advantage

- Rogers (2003) delineates relative advantage as 'the degree to which an innovation is perceived as being better than the idea it supersedes'.
- The cost of purchase, social status of the customer, and his motivation aspects of adopting the innovations altogether constitute the term 'relative advantage'.
- For example, the innovators, early adopters, and early majority are normally more motivated by esteem need for accepting innovations.
- On the other hand, the late majority and laggards lay huge importance on the economic and the social acceptance of the product.

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Compatibility

- In some diffusion study, relative advantage and compatibility were treated as similar aspects; nonetheless, they are conceptually quite diverse.
- Rogers (2003) claims, 'Compatibility is the degree to which an innovation is perceived as consistent with the existing values, past experiences, and needs of potential adopters'.
- A lack of compatibility of the innovated product with the needs of the customers, sometimes, might dimidiate the customers to use the product.
- On the other hand, if any innovation matches with the lifestyle and need of the target population, it will turn out to be an innovator.

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Compatibility

- For example, considering the huge power cuts and low income level of the Indian semi-urban and rural expanses, *Godrej* and *Boyce* launched an innovative low-cost, tiny refrigerator named '*Chotukool*' in 2010.
- The portable refrigerator has a capacity of 45 litres and is priced only at INR 3750.
- In its design, the compressor was replaced by a cooling chip and a fan to make it more efficient and economical.
- It basically is a sort of 'reverse engineering' as claimed by Mr. G. Sunderraman, Vice President of Corporate Development at *Godrej* and *Boyce*. To ensure its visibility and accessibility amongst the rural mass, it was distributed by the members of the micro-finance groups in the rural periphery.

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Complexity

- The other aspect, complexity, as defined by Rogers (2003), is 'the degree to which an innovation is perceived as relatively difficult to understand and use'.
- Unlike the other attributes, complexity is usually inversely associated with the rate of adoption.
- Thus, too much complexity of an innovation is a significant impediment in its fast adoption.

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Trialability

- Rogers (2003) defines trialability as 'the degree to which an innovation may be experimented within a limited basis'.
- Hence, trialability is associated with the adoption rate. It has been already mentioned that in the implementation phase of the innovation-decision process, there is a probability that reinvention takes place during the trial stage.
- This may modify the process of innovation by the prospective adopter. Improvised reinvention may generate quicker adoption of the innovation.

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Impact of Opinion Leadership in the Process of Diffusion of Innovations

- Opinion leadership is the route by which the opinion leader off the record persuades the dealings or attitudes of the opinion seekers or just opinion recipients.
- Opinion receivers recognize the opinion leaders as a greatly trustworthy, objective source of product-related information and the people who can help them to trim down their search and evaluation time and also, reduce the perceived risk associated with the purchase.

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Impact of Opinion Leadership in the Process of Diffusion of Innovations

- Opinion leaders are interested to provide information or guidance to others, partly because, by doing so they feel their own status and self image are enhanced and also partly because such counselling may reduce any post-purchase dissonance that they may contain.
- Other motives consist of product and message linkage or any other involvement. Studies of opinion leadership point that this effect is normally product category specific, in which they are interested or have expertise. For example, a computer engineer may be an opinion leader to his sister studying in XII standard in case of purchase of a computer. *Sensodyne* has portrayed a dentist to show the hygiene and sensitivity-resistant factor of the toothpaste.

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Impact of Opinion Leadership in the Process of Diffusion of Innovations

- An opinion leader of one product series can be an opinion receiver for a different product category. For example, the teacher recommending books for library purchase may be an opinion seeker in case of purchasing a washing machine.
- By and large, the opinion leaders are extrovert, confident, innovative people who are socially animated. In addition, they may consider themselves distinguished from others and choose to act differently (or public individuation); many a times for this reason, they turn to be innovators or early adopters.
- They obtain information about their domain of interest and expertise through passionate readership of interest magazines, search engines, or sometimes simply by new product trials.

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Impact of Opinion Leadership in the Process of Diffusion of Innovations

- The process of opinion leadership generally occurs among friends, neighbours, and colleagues who are in frequent connection and, thus, have an abundant scope to understand and pass on product-related informal discussions.

- Diffusion researchers are mainly concerned with two basic communication aspects of the product innovation, first, the channels through which product-related information is spread to the public and second, the kind of messages that persuade the adoption or rejection of new products or services.

- The two-step flow of communication theory focuses on the role of interpersonal influence in the reach of innovation-information from the mass media to the prospective customers. This theory develops the base for a much-improvised multi-step communication model, which considers the fact that in the two-way process of communication, the opinion leaders both influence and are influenced by opinion receivers.

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Impact of Opinion Leadership in the Process of Diffusion of Innovations

- It is, therefore, imperative for the marketers to segment their prospective market into opinion leaders and opinion receivers for their particular product categories.
- As a matter of fact, while directing their promotional efforts to the more influential segments of these markets, the marketers can use these opinion leaders to pass on the information to those who search for product-related suggestions.
- Marketers, therefore, deliberately aim to create and encourage opinion leadership. They have also recognized that they can generate opinion leaders matching with their own products by incorporating socially concerned, active, and influential people in a calculative manner to augment the diffusion of their innovations.

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The Market Mavens

- *Market maven* is an extreme variety of opinion leadership. These consumers have a broad array of information about several types of products, retails, and other dimensions of markets.
- They both kick off discussions with other consumers and act in response to requirements for market information over a broader array of products and services.
- Market mavens are distinguished from other opinion leaders since their authority roots are not so much from product knowledge but more from general awareness or market awareness that allows them to develop an early knowledge about a broader range of new products and services.

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CONSUMER DECISION-MAKING

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- Ratan Tata once shared his vision ..

…'I observed families riding on two-wheelers—the father driving the scooter, his young kid standing in front of him, his wife seated behind him holding a little baby. It led me to wonder whether one could conceive of a safe, affordable, all-weather form of transport for such a family.'

Consequently, Tata Motors came out with the innovation of Nano to fulfil the dreams of Indian middle-class aspiring to own a car. On unveiling Nano, Ratan Tata said,

'*We are happy to present the People's Car to India and we hope it brings the joy, pride and utility of owning a car to many families who need personal mobility*.'

MORAL OF THE STORY….

- Therefore, the understanding about the consumers enables marketers to envisage the characteristics of their target market and facilitates them to formulate appropriate positioning strategy.
- In this context, firstly, the marketers should understand the different types of purchase situations and roles the consumers may encounter.
- Similarly, they should also have a clear understanding of the factors that may influence the consumer purchase decision.
- Thirdly, in today's competitive world flooded with numerous options and alternatives for the customers to choose, it is imperative for the marketers to understand the complex consumers' decision-making process in an appropriate manner.

CHAPTER GOALS

After completing this chapter, you will be able to understand :

- Types of consumer buying decisions
- **The consumer black-box model**
- **Problem recognition process of consumer**
- **How marketers can utilize the information search process**
- **How consumers evaluate their choice alternatives**
- **Consumers' purchase situations**
- **Post-purchase behaviour and dissonance patterns of the consumers**
- **Distinction between low- and high-involvement buying decisions**

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TYPES OF CONSUMER BUYING DECISIONS

- ***Routine response/habitual buying behaviour*:**

  ✓ **This kind of purchase situation refers to the low involvement purchases like frequently purchased low-priced products.** Purchase decisions are often taken when the stock of the product is depleted. For example, a consumer buys a toothpaste pack once the earlier pack is used.

  ✓Products such as soft drinks, snacks, milk, biscuits, and other low-cost purchases fall under this type of purchase.

  ✓As these products are purchased routinely, customers are quite aware of the product/brand features and evaluative criteria. For example, the *Colgate* toothpaste is used by many Indian families over the generations.

  ✓As the purchase involves very low-cost products, consumers do not spend much time and effort to purchase them. .

  ✓ Hence, ensuring the product's availability intensively is the call for these kinds of products, given the high threat of brand switching.

TYPES OF CONSUMER BUYING DECISIONS

- ***Limited problem-solving behaviour*:**

  ✓**A limited problem-solving behaviour encompasses more involvement and effort of the buyer than the routine response behaviour.**

  ✓**More specifically, when the product class is known, but the customer is not very sure about the newly launched brand attributes, the limited problem-solving behaviour is quite visible.**

  ✓So, information regarding how the brands score over the consumer's evaluative criteria is quite important and this calls for a moderate amount of time, effort, and involvement to gather information and evaluate the alternatives.

  ✓For example, when *Saffola* was first launched in India, it was a new variety (cholesterol-free) in the edible oil category. So, customers tried to search information on this 'cholesterol-free' attribute. This executed an example of limited problem-solving behaviour

TYPES OF CONSUMER BUYING DECISIONS

- ***Extensive decision-making/complex buying behaviour*:**
  - ✓ The complex buying decision involves the high involvement, unfamiliar, expensive, and/or infrequently bought purchases. This kind of purchasing is normally associated with a high degree of economic, performance-related, or even psychological risk.
  - ✓ When an individual buys car, apartment, laptop, jewellery or selects a school for children, he usually seeks a lot of information and gets more involved in terms of time and effort in decision making.
  - ✓ Sometimes, the products, which are not expensive but reflect one's personality and social stature, can also fall under this category (buying a wedding dress or wedding gift for sister's marriage).
  - ✓ Even, at times when a new technological innovation (e.g., Apple iPad) takes place, the 'innovator' category of the customers seems to be more engrossed in collecting information regarding the product. In fact, all the five stages of the customers buying decision are well visible here.

TYPES OF CONSUMER BUYING DECISIONS

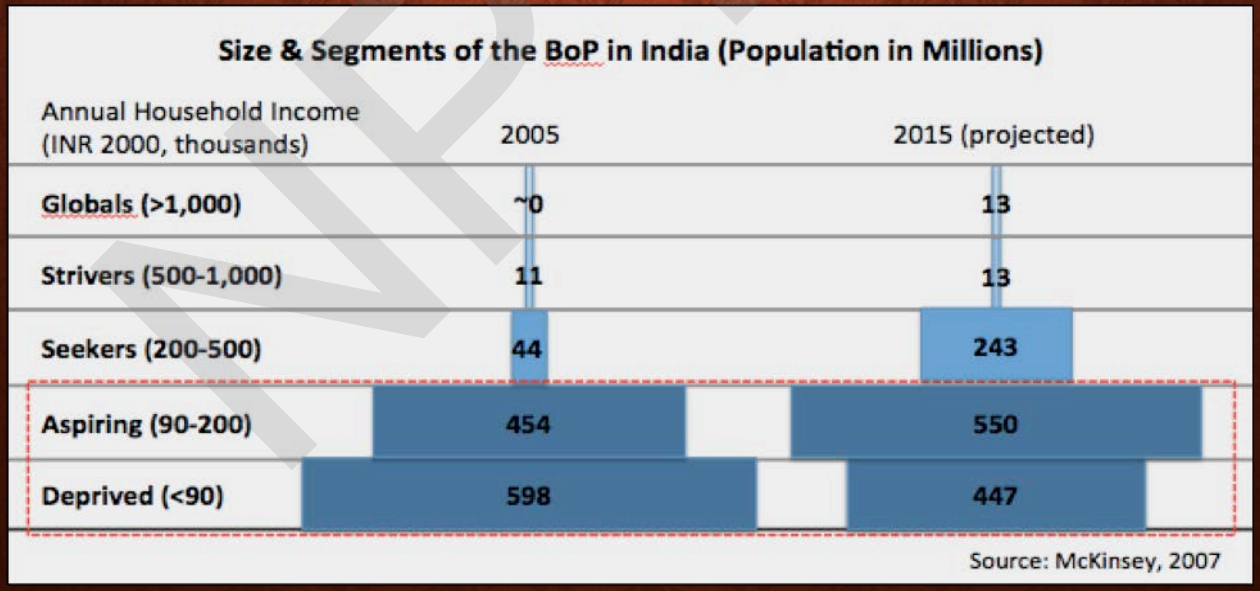
- ***Impulse buying, no conscious planning***
  - ✓ According to the American marketing association, an impulse buying is "a purchase behaviour that is assumed to be made without prior planning or thought. Often, it is claimed, impulse buying involves an emotional reaction to the stimulus object (product, packaging, point-of-purchase display, or whatever) in addition to the simple acquisition act".
  - ✓ In other words, impulse buying may also be referred to as a spur-of-the-moment buying. There were two different surveys conducted by the *Yankee Group* and *Ernst & Young* to trace the nature of impulse buying on the Internet.
  - ✓ According to the report by *Ernst & Young*, who conducted the study in January 2000, price discounts were the most important motivating factor for almost 88% of the respondents to go for impulse buying.
  - ✓ The situation was quite similar to the study conducted by the *Yankee Group* in November, 2000, where 75% of survey respondents claimed that 'price discounts' was the best motivating agent for the consumers.

IMPLICATIONS OF IMPULSE BUYING

- Many a times, just to satisfy the ephemeral needs such as buying chocolate, chewing gums, junk jewellery, low-priced accessories, even soft-drinks, the consumer goes for impulse buying.
- This concept has been well viewed in case of shopping malls in the urban areas of India. It is often observed that the food courts, ice-cream parlours, and coffee shops in the shopping malls are more occupied than any other shops.
- Products like chocolates, magazines, razors, shaving creams, etc. are bought impulsively. That is why such products are placed near cash counters in departmental stores so that customers can buy them while they are waiting for their turn at the cash counter.

IMPLICATIONS OF IMPULSE BUYING

- Moreover, the transition of the Indian society from the pyramidal to the diamond structure, the potential growth in GDP, and the increased purchasing power are also some of the contributing factors for the rise in impulse buying.



HOWEVER.....

- The categorization of routine, limited problem solving, and extended problem-solving behaviours varies across the type of customers also.

- For example, for a busy corporate executive, travelling across the country and thereby purchasing air-tickets and selecting hotels may appear to be the routine responsive behaviour, so it is quite obvious that he/she might have an association/tie-up with a fixed travel agency to take care of his/her travel plan. But selecting hotels, buying air-tickets, or even selecting a travel agency for the purpose may be the complex buying behaviour for a teacher couple planning their honeymoon tour.

- Keeping all these buying patterns into consideration, the next session focuses on the 'consumer black-box model' envisaged by Professor Phillip Kotler in 1990. This model depicts the human mind as a black box containing all facets that come into play to arrive at a purchase decision.

WHAT IS PREMIUMISATION?

- **“Premiumisation has created the bridge between the desirability of the luxury world and the function and necessity of the mass market. But as more brands look to ‘premiumise’ their offers, the way to express this new focus on specialness needs to be more than just skin deep”. ..Sophie Maxwell, Pearlfisher Futures Director**
- Cadbury director (snacking and strategy) V Chandramouli feels ..“It should help create a ‘wow’ factor so that consumers understand the rationale behind paying extra for a premium product”.

HOW TO PREMIUMISE?

1) Build desire
2) Create new occasions
3) Reach different audiences
4) Build long-term kudos
5) Surprise us!

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CONSUMER DECISION-MAKING PROCESS

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THE CONSUMER BUYING DECISION MODEL

- The ‘consumer black-box model’ propounded by Professor Phillip Kotler in 1990 was a pathfinder to understand the most complex individual buying decision process.

- The model portrays that the consumers will react by certain behavioural constructs in response to various stimuli (either received from the external environment or the stimuli deliberately provided by the marketer to catch the attention of the customer) and thereafter ‘process’ those stimuli in their minds.

- Specifically, the model depicts that although the external ambience in which the customer resides or the promotional activities of the marketers may work as a stimulus for consumer’s decision making, the consumer’s individual characteristics and the five-stage decision-making process will also intermingle with the stimulus before a certain behavioural outcome is observed.

THE CONSUMER BUYING DECISION MODEL

- However, the existence of an interface and/or exchange between the external stimuli and human mind can only be assumed because we are yet to know how really the human mind works. Therefore, processing of the stimuli in the human mind has been referred in this model as the 'black box'. As far as consumer behaviour is concerned, it is not that difficult to make out the major internal influences and the main stages in the consumer decision-making process, but how consumers convert all these data into their relevant information and how they interpret that information to generate particular responses are yet to be understood by the consumer psychologists.

- As of now, it is clear that there are three major constructs of the consumer black-box model—stimuli, transformer, and response. Schiffman and Kanuk (2004) have elaborated the buying decision-making model as input–process–output model.

THE CONSUMER DECISION-MAKING MODEL (THE CONSUMER BLACK BOX MODEL; KOTLER, 1990)

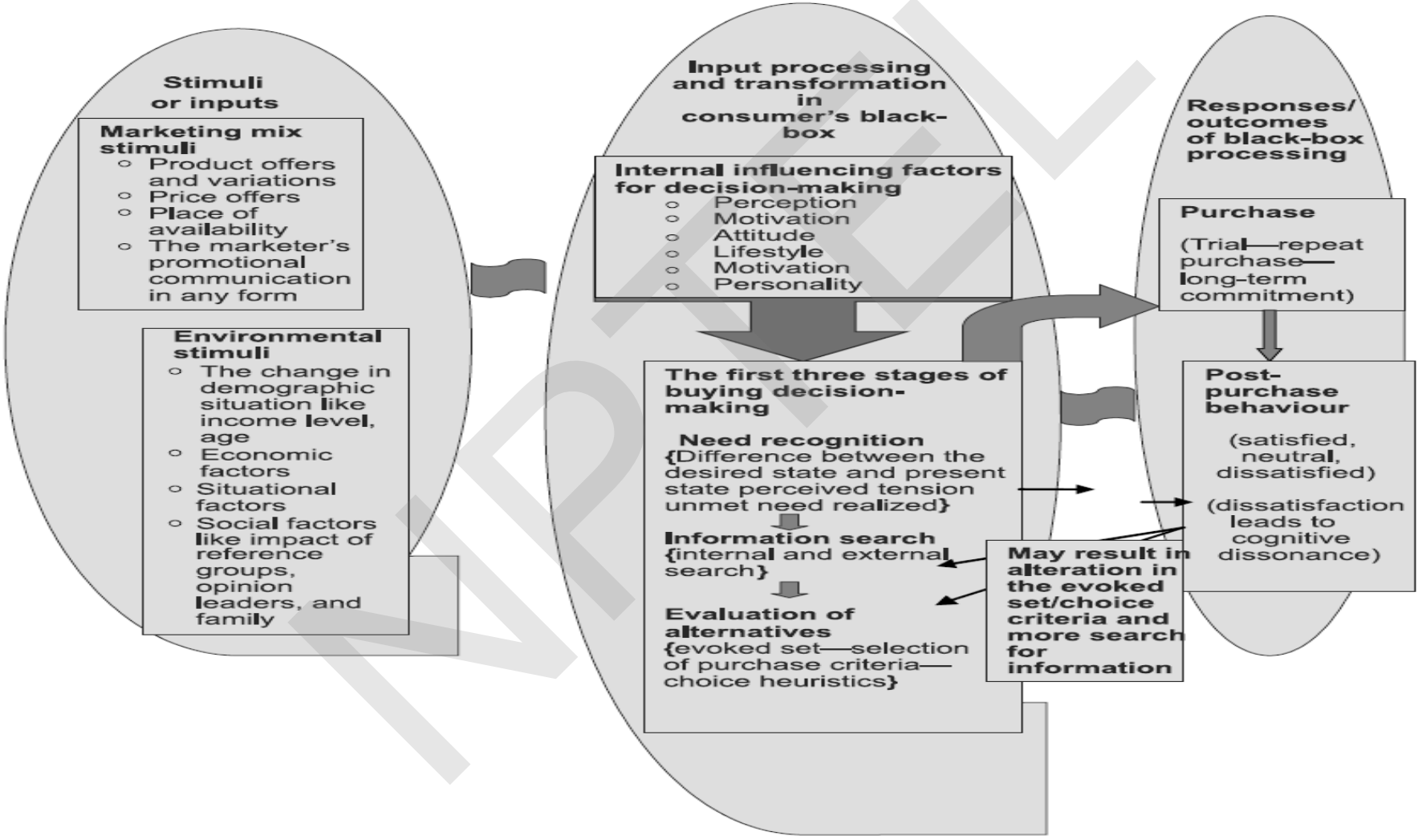


Figure 14.2 Consumer decision-making process (the figure is drawn on the basis of the idea of Schiffman and Kanuk, *Consumer Behaviour*, sixth edition, Figure 13-3, Simple decision-making model, page 565, PHI Pvt. Ltd.)

THE STIMULI INFLUENCING BUYER BEHAVIOUR

- ***Marketing Mix Factors (Product, Price, Place, Promotion)***
- ***Demographic Factors***
- ***Economic factors,***
- ***Situational factors***
- ***Social Parameters***

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TRANSFORMATION—THE BLACK BOX UNDER PROCESS

In the black-box model, there are two key constructs, namely, the customer's internal influences and his five-stage decision-making process.

Internal Influencing Factors of Consumer Decision Making

- *Perceptions*
- *Attitude*
- *Lifestyle factor*
- *Motivation*
- *Personality*

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THE FIVE-STAGE BUYING DECISION PROCESS



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NEED RECOGNITION

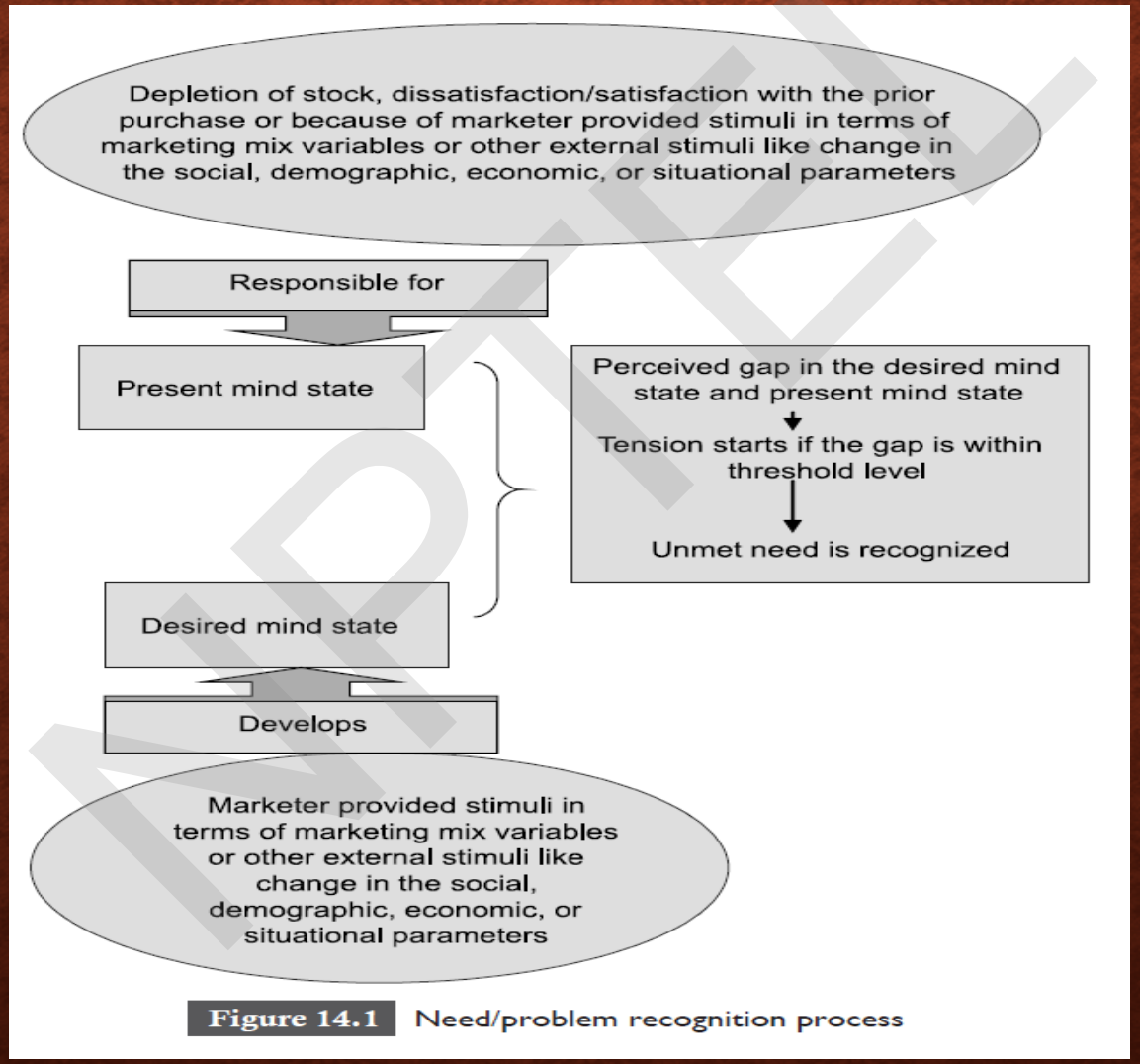


Figure 14.1 Need/problem recognition process

INFORMATION SEARCH

- Internal Search

- External Search

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EVALUATION OF ALTERNATIVES

For the evaluation of the available alternatives, however, three basic aspects are to be taken care of by consumers. They are as follows:

(a) *The evoked set*: The evoked set is often referred as the list of brands or sometimes models of a particular brand, from which the customer is likely to choose the best suited one for him/her.

(a) *Evaluative criteria*: Evaluative criteria are those characteristics of the product which are used by customers to select a brand (from the evoked set), which suits them the best. These criteria may be price, availability, style, design, brand equity, etc.

(b) *Decision rules/heuristics*: Once the evoked set of brands or models are identified and the evaluative criteria are recognized according to their relative importance, consumers exert to their relevant decision rules or heuristics to select the best suited one. There are two broad categories of decision rules, namely, the compensatory and non-compensatory decision rules .

COMPENSATORY DECISION RULES

Criteria	Weights of criteria	Maruti 800 Std BSIII	Tata Nano Std BSIII	Maruti Alto Std	Tata Indica V2 Xeta GL	Hyundai Santro Xing (non-AC)
Price of the car (C_1)	.32	4	5	3	2	2
Fuel efficiency	.28	3	4	3	4	3
Warranty period	.18	3	4	3	3	3
Dealer's Proximity	.12	5	2	5	4	3
Bank loan	.06	4	4	4	5	5
Wife's choice	.04	1	2	3	3	5
Preference for brands	$\Sigma W_i = 1$	3.54	4	3.26	3.20	2.88

In the compensatory decision rule, first consumers assign weight to several evaluative criteria. Then they evaluate a brand or model in terms of the relevant evaluative criteria, and a weighted sum for each alternative is, thereafter, calculated.

NON-COMPENSATORY DECISION RULES

Sometimes, the consumers cannot balance the negative features of a brand with some positive aspects in case of non-compensatory decision rules.

There are three major non-compensatory rules:

- Conjunctive rule
- Disjunctive rule
- Lexicographic rule.

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NON-COMPENSATORY DECISION RULES

Conjunctive Decision Rule

Criteria	Weights of criteria	Maruti 800 Std BSIII	Tata Nano Std BSIII	Maruti Alto Std	Tata Indica V2 Xeta GL	Hyundai Santro Xing (non-AC)
Price of the car (C_1)	.32	4	5	3	2	2
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Dealer's proximity	.12	5	2	5	4	3
Bank loan	.06	4	4	4	5	5
Wife's choice	.04	1	2	3	3	5

In the conjunctive decision rule, consumers establish a minimum point of cutoff for each attribute. If any brand falls below the cutoff point in terms of the selected attributes, it is eliminated from the choice set. In case of Mr. Umesh Nair, if he sets a cutoff point of 3 for all the choice attributes, then we find, except *Maruti Alto* Std, all other cars have scores below 3 in some attributes. Hence, *Maruti Alto* would be chosen by Mr. Nair, if he follows the *conjunctive decision rule*.

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NON-COMPENSATORY DECISION RULES

The Disjunctive Rule

Criteria	Weights of criteria	Maruti 800 Std BSIII	Tata Nano Std BSIII	Maruti Alto Std	Tata Indica V2 Xeta GL	Hyundai Santro Xing (non-AC)
Price of the car (C_1)	.32	4	5	3	2	2
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Dealer's proximity	.12	5	2	5	4	3
Bank loan	.06	4	4	4	5	5
Wife's choice	.04	1	2	3	3	5

The *disjunctive rule*, is just the reverse of the conjunctive rule. Similar to the conjunctive decision-making rule, here also a minimum cutoff level for each attribute is set. According to this rule, Mr. Nair will choose the alternative which may satisfy his minimum cutoff in terms of any choice criteria. Usually, this cutoff is set little above the cutoff value set in conjunctive rule. In this case, let us assume the cut-off is 4.

THE LIMITATIONS OF CONJUNCTIVE AND DISJUNCTIVE RULES

- As all the brands are meeting the cutoff, all of them still remain in the evoked set.
- Therefore, consumers once again need to resort to some other decision rule to arrive at a choice of their most preferred brand/model.
- Both conjunctive and disjunctive heuristics suffer from the problem of less sophistication.

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THE SOLUTION- LEXICOGRAPHIC HEURISTICS

In case of *lexicographic heuristics*, consumers first order the attributes according to their perceived importance.

For example, in the said example of Mr. Nair, according to his relative importance, the evaluative criteria can be ranked as price (1st), fuel efficiency (2nd), warranty period (3rd), dealer's proximity (4th), bank loan (5th), and wife's choice (6th).

Now, consumers compare all the brands' score in terms of the most important criteria set by them in single/multiple iterations till the most preferred alternative is identified.

Here, Mr. Nair has selected price as the most important attribute. Now *Tata Nano Std BSIII* scores the highest (5) as compared to the other brands in terms of price criteria and hence would be considered as the best-suited alternative for Mr. Nair.

THE SOLUTION- LEXICOGRAPHIC HEURISTICS

Criteria	Weights of criteria	Maruti 800 Std BSIII	Tata Nano Std BSIII	Maruti Alto Std	Tata Indica V2 Xeta GL	Hyundai Santro Xing (non-AC)
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AFTER REFERRAL DECISION RULES

- In many cases, these basic rules are mixed to derive a new choice rule, like if there are too many brands in the evoked set, then conjunctive–compensatory or disjunctive–lexicographic may appear to be appropriate.

- This type of combined choice heuristics is called the after-referral decision rule and this is perhaps the most popular choice heuristics.

RESPONSES—THE OUTCOME OF BLACK-BOX PROCESSING

- *Product choice and purchase*
- *Post-purchase use and evaluation*
  - *Satisfaction*
  - *Neutral state of mind*
  - *Cognitive dissonance*

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Models of Consumer Behaviour-1

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Objectives

After completing this module, you will be able to understand:

- Micro and macro economic models of consumer decision making
- Nicosia Model of consumer decision making

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The Context

- Marketers are often unsure about the variables that may influence the consumers' buying decision-making and to what extent they do so.

- It is also necessary for the marketers to understand how these variables intermingle amongst each other. These variables may be internal (like motivation or attitudes), external (such as the demographic, socio-cultural, and geographic variations across the country), observable (marketer's stimuli like sales promotion offers), and latent (like predisposition).

- Even if the variables are understood, their accurate characteristics and the relative strength of their influence are not so obvious.

- Given the complex set of behaviour of the contemporary consumers, from the marketer's point of view, formulation of a model incorporating all the possible equations and correlations amongst the relevant variables may sound very useful to understand how consumers behave in the market place. This understanding would help them to design appropriate strategies and operate in the market accordingly.

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The Context (contd..)

- A model, here, may be interpreted as a simplified realistic version of the actual actions performed by the consumers in their own mind and its reflection in the market place. Since consumer behaviour has been defined as a blueprint of the decision process, the models that focus on this process will be of substantial interest to us.

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MODELLING BEHAVIOUR- The Traditional Models

- While attempting to have a clear comprehension about the economic system, it was the economists who emerged as the pioneers to develop the basic consumer decision models.
- Ideally, the priori assumptions of the economic models pivot around allocation of limited resources across unlimited needs and wants.
- Two of its key facets, namely, microeconomics and macroeconomics have contributed in different ways to analyse the process of consumer's decision making.
- Even though these models have been criticized for being over-simplistic, nonetheless, after several modifications over the decades, these pioneering models still contribute a lot towards the development of contemporary theories.

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The Traditional Models

- Micro Economic Models
- Macro Economic Models

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Micro Economic Models

The classical microeconomic approach, propounded in the first quarter of the 19th century by Alfred Marshall, principally focused on the type of goods (normal, necessary, or Giffen) and prevailing price structure in the country. The underlying assumptions of the Marshallian model are as follows.

- **It is not possible to satisfy the consumers as they have unlimited needs and wants.**
- **Consumers are restrained by a budget line and thereby they try to allocate available purchase budget in a way that maximizes their utility.**
- **Consumers autonomously build up their own preferences in the absence of any external influence and their preference pattern is consistent over time.**
- **Consumers have perfect knowledge about the utility of a product, i.e., they are fully aware of the level of satisfaction they can derive from the use of the product.**
- **The law of diminishing marginal utility prevails which means the proportion of increase in utility gradually diminishes with the consumption of additional units of the product.**
- **Price is the only determinant of purchase preference.**
- **Consumers are perfectly rational in a sense that given the individual's choice criteria, they will always act in a conscious and calculated way to maximize their utility.**

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Micro Economic Models

- Based on these assumptions, economists conclude that perfectly rational consumers choose the product bundle for which the perceived cost-benefit ratio is maximum.

- For any particular item, the benefit/cost ratio can be measured as a ratio (MU/P) of its marginal utility (MU) to price (P). Hence, the consumer would try to realize a position where the following equation is valid for any number (n) of goods.

- This means,

$$\frac{MU_1}{P_1} = \frac{MU_2}{P_2} = \frac{MU_3}{P_3} = \cdots = \frac{MU_n}{P_n}$$

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Macro-Economic Views

- In his relative-income hypothesis, James Duesenberry (1949) opined that people's consumption levels are primarily governed by their peers and social groups rather than their own absolute income levels. Therefore, an individual's marginal propensity to consume is likely to change only when he moves in an upward/downward direction in terms of social class. Nonetheless, with an equal rise in income of all the groups of the society, the marginal propensity to consume is not expected to change for any of the groups.

- On the flip side, the permanent-income hypothesis proposed by Milton Friedman (1957) centres around the notion that the consumption of a family/individual/social class depends on what they consider as their 'normal' income. In doing this, they try to retain a reasonably stable standard of living even though their incomes may vary considerably over time. As a consequence, the change in income that people perceive as impermanent has modest effect on their consumption spending.

Contemporary Models- Nicosia Model

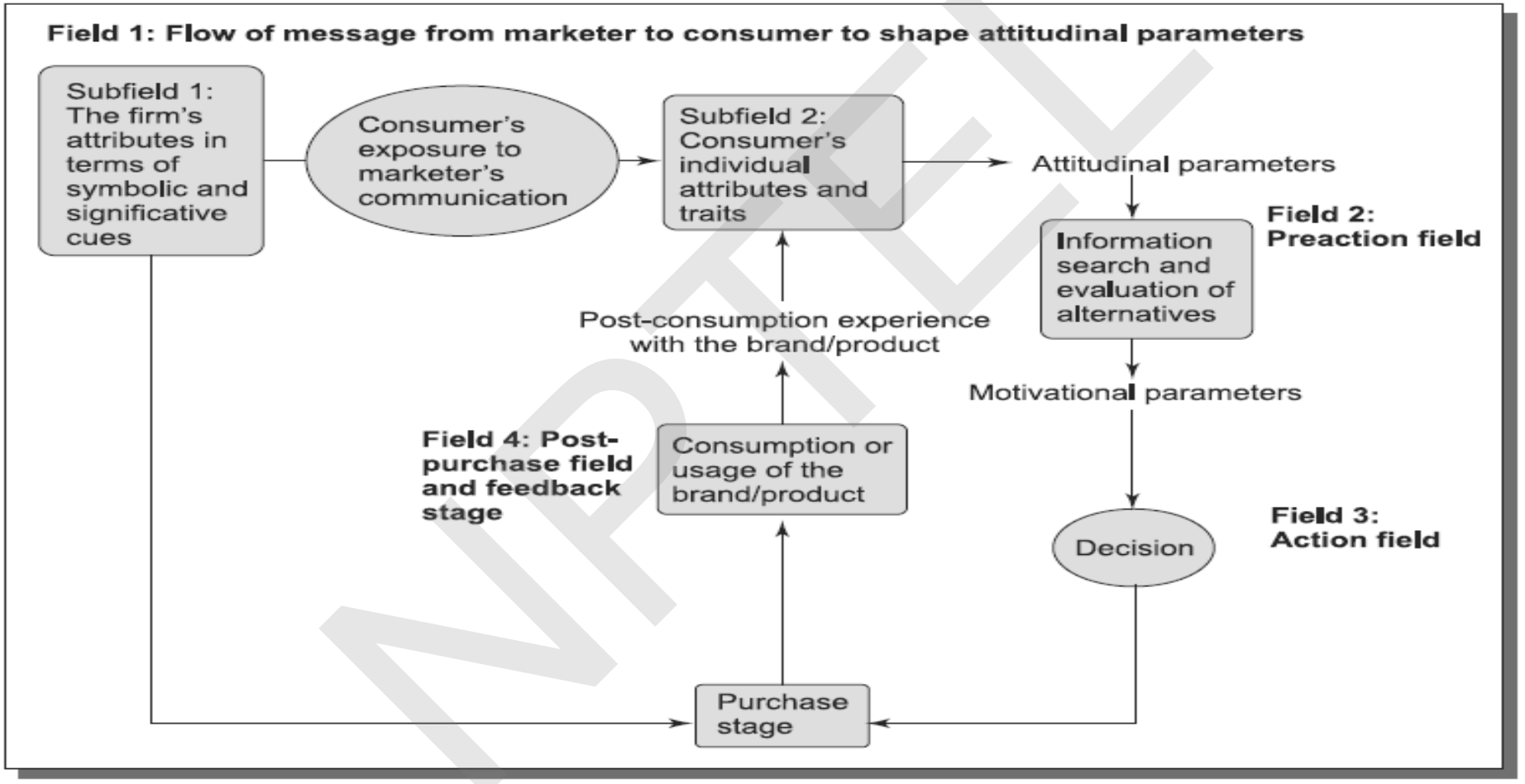


Figure 15.1 Diagrammatic interpretation of Nicosia's model of consumer decision process

Source: Loudon D.A. and Della Bitta A., *Consumer Behaviour*, TMH Publications, 2001.

Contemporary Models- Nicosia Model

- Nicosia's model (1966) focuses on the buying decision, especially for a new product. It is a four-field-model, in which the first three fields elucidate various decision-making steps that the consumers espouse before buying goods or services.
- Nicosia had resorted to a detailed computer flowchart for this purpose. For ease of comprehension, all the mental situations of the consumer have been classified into various fields and subfields.
- Thereafter, all the elements of the model are connected through direct as well as feedback loops. Hence, the model stresses on the association between the firm and its prospective consumers.
- The firm communicates with consumers through its stimuli (in terms of all the four Ps), and the consumers respond to these messages by forming their attitudes towards the product/brands and finally purchase/ reject it.
- A careful watch on the model may project that the two basic entities of the market place, namely, the firm and the consumer, are neatly connected with each other, and mutually influence each other's strategies and actions.

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Contemporary Models- Nicosia Model

Field 1: *The consumer's attitude based on the firm's messages*

- The first field that deals with the consumer's initial attitude after being exposed to the firm's message is sub-divided into two subfields.

- The first subfield explains how the firm's marketing environment and communication effort are shaped by its attributes and traits, given the existing competitive environment and features of the target market. The second subfield portrays the consumer's individual characteristics, e.g., experience, personality, and how he perceives the marketer's communications regarding the product. In this phase, the consumer develops his attitude toward the firm's product depending on the way he interprets the firm's message.

Contemporary Models- Nicosia Model

Field 2: *Search and evaluation*

- In the second phase, the consumer begins to search for attributes of other firm's offerings and compares them with the concerned firm's brand. At this phase, it is the task of the marketer to provide adequate information about the product, highlight their USPs, shape the customer's evaluative criteria (as Nicosia talks about new purchase only), and motivate them in favour of its brands through its promotional messages.

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Contemporary Models- Nicosia Model

Field 3: *The act of the purchase*

- At this stage, the motivated customers are convinced to purchase the firm's products from a specific distributing point.

Field 4: *Feedback*

- Finally, the model interprets the post-purchase feedback of the consumers. The firm may use the sales data as a feedback and modify the brands' traits or promotion/distribution strategies if required, and the consumer is supposed to use his experience to develop notions about the product/firm.

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Critical Evaluation

- The worth of Nicosia's model, however, rests on the integration of insights about the 'non-action' kind of variables present in the environment and the ways they prompt actions from the consumers.
- But it does not unveil the impact of the internal factors on the consumer and the ways they shape the consumer's attitude toward the product.
- Moreover, the Nicosia model overlooks the aspects of predisposition and perceptual bias—the two most crucial aspects of understanding the customer's expectation from a product or brand.
- Besides, this model has been severely criticized by the behavioural scientists as it was not empirically tested, and many of the variables were not clearly defined and hence could not be measured.
- Though the flowchart approach of the model organized and structured the presentation considerably but on the flip side these posed boundaries on the set of possible interfaces among the variables.

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Thank you

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Models of Consumer Behaviour-2

SRABANTI MUKHERJEE

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Objectives

After completing this module, you will be able to understand:

- Howard-Sheth Model of Consumer Decision making

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Howard–Sheth Model (1969)

- Perhaps, the most coveted and widely used consumer behaviour model is the Howard–Sheth model of buyer behaviour, which was formulated by the eminent Professors John A. Howard and Jagdish Sheth in 1969.

- The model is highly significant and distinct from the other models as it puts forward the relevance of inputs to the consumer buying process and comments on the ways in which the consumer organizes and interprets these inputs before arriving at a final decision.

- This model is constructed in three levels of decision-making in almost an input–process–output format. Howard–Sheth have explained this in the following manner.

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Howard–Sheth Model (1969)

(a) Inputs

- The input constructs are comprised of three different types of stimuli (information sources) in the consumer's environment.
- The marketers at this phase usher the consumers with product or brand-related information in terms of physical brand characteristics (significative stimuli) and verbal or visual traits of the product (symbolic stimuli).
- On the other hand, the social environment of the consumer (e.g. family, reference group, and social class) significantly influences the consumer's black-box and is referred as 'social stimulus' in the consumer decision-making process.
- Together, these three types of stimuli endow the customers with inputs relating to the traits of product class as well as brands.

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Howard–Sheth Model (1969)

(b) Processing of inputs

- Similar to the consumer black-box concept, the most fundamental part of this model too consists of several psychological variables involved when the consumer is envisioning a decision.

- The perceptual variables determine how the consumer interprets the information from the input stimuli, memory and other sources. Improper comprehension of the environmental stimuli results in ‘stimulus ambiguity’.

- Further consequence of stimulus ambiguity is ‘perceptual bias’ which is formed when the consumer distorts the information received in a way it fits with his established needs or experience.

Howard–Sheth Model (1969)

- While mentally processing the information or stimuli received from the environment, the consumer may resort to some other decision-making parameters which Sheth et al. referred as learning constructs.
- The learning constructs include confidence on the product/brand, intention to purchase, motives behind the choice, choice criteria, brand comprehension, and level of perceived satisfaction from the product/brand.
- The possible interface amongst the perceptual and learning constructs endows the model with considerable improvement over the traditional models.
- However, some exogenous variables, which are not direct part of the decision-making process, pose some influence on the importance of the purchase, consumer's personality traits, religion, time pressure, etc.

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Howard–Sheth Model (1969)

(c) Outputs

- The outputs are the resultant behaviours of the consumers exposed in the market place based on their interpretation of the received environmental stimuli through the interface of the perceptual and learning constructs.

- These response behaviours can be measured in terms of attention, brand comprehension, attitudes, and intention.

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Analysis of the Constructs of Howard Sheth Model with Respect to Purchase of Hi-tech Mobiles Amongst the Indian Youths of 21st Century: An Empirical Research

Source:**Mukherjee Srabanti**, **Consumer Behavior**, **Cengage** Learning, 2012.pp.314-318

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- In 2010, a study was conducted to analyse the constructs of the Howard–Sheth model with respect to the purchase of hi-tech mobiles amongst the 21st century youths of Kolkata, one of the biggest metropolitan cities in the world.

- For the purpose, 4 focus group interviews were conducted with 36 respondents and the observations were explained with the Howard–Sheth model of consumer behaviour. The respondents were of the age group 24–37, high salaried management graduates or engineers working mainly in Sector V, Salt Lake City, Kolkata. The survey results can be grouped into the following sub-sections.

Level of problem solving

- Hi-tech mobile phones are relatively high priced and, therefore, by nature are high involvement products. Thus, as is the case with all such high priced and high involvement products, this purchase may also be categorized as the extensive problem-solving behaviour.

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Use of Howard-Sheth Model for choosing High-end mobile phones (Refer the example in the book. Page 317)

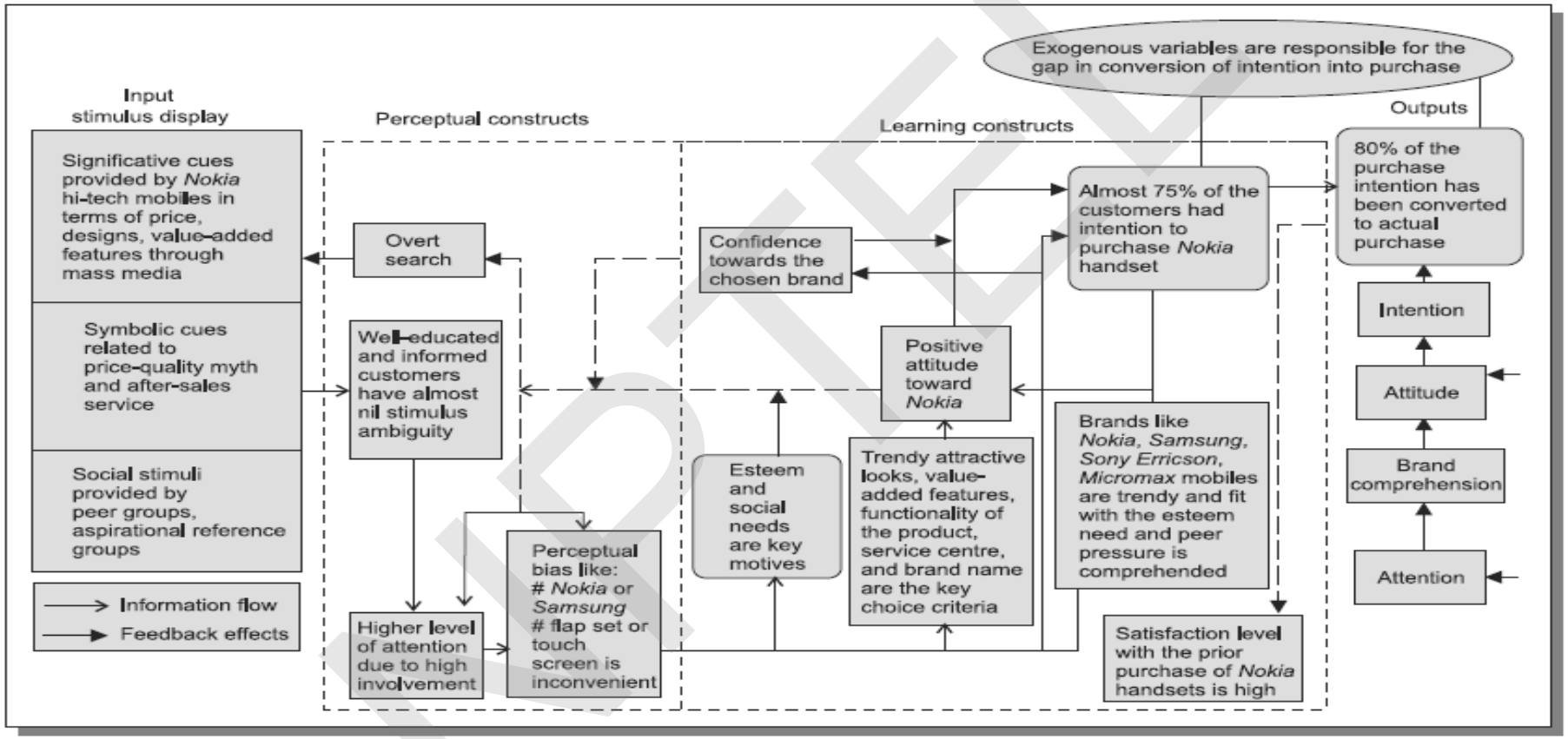


Figure 15.2 A simplified version of consumer decision-making model regarding hi-tech mobiles in the light of Howard–Sheth model

Source: Howard, John A. and Sheth, Jagdish, *The Theory of Buyer Behaviour*, John Wiley, 1969; Loudon and Della Bitta, *Consumer Behaviour—Concepts and Applications*, Tata McGraw Hill, 2002, p. 608; http://www.churcher.com/FOSM/foundations-of-senior-management-10013.htm

Inputs

- The Sheth model specifies three types of stimuli, namely, significative, symbolic, and social. In this case, the two most important stimuli were the social and significative cues.

- It was also identified that the significative and symbolic stimuli have been imbibed mainly from the family, reference groups (specially the peer group), and several non-personal information sources (Internet, advertisements, etc.). As the concerned age group was mainly in their late 20s and early 30s, it was not surprising to see that the main source of information for them comprised the Internet and the peer group.

- The kinds of stimuli that motivated the customers were mainly designs, features, trend, and value-added services of the mobiles. Significative cues were the price and quality. Moreover, staying in one of the biggest metropolitan cities, availability of a new model is more or less ensured, and hence, this parameter was not a matter of concern for them. However, esteem need seemed to be prioritized amongst 80% of the respondents.

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Use of Howard-Sheth Model for choosing High-end mobile phones (Refer the example in the book. Page 317)

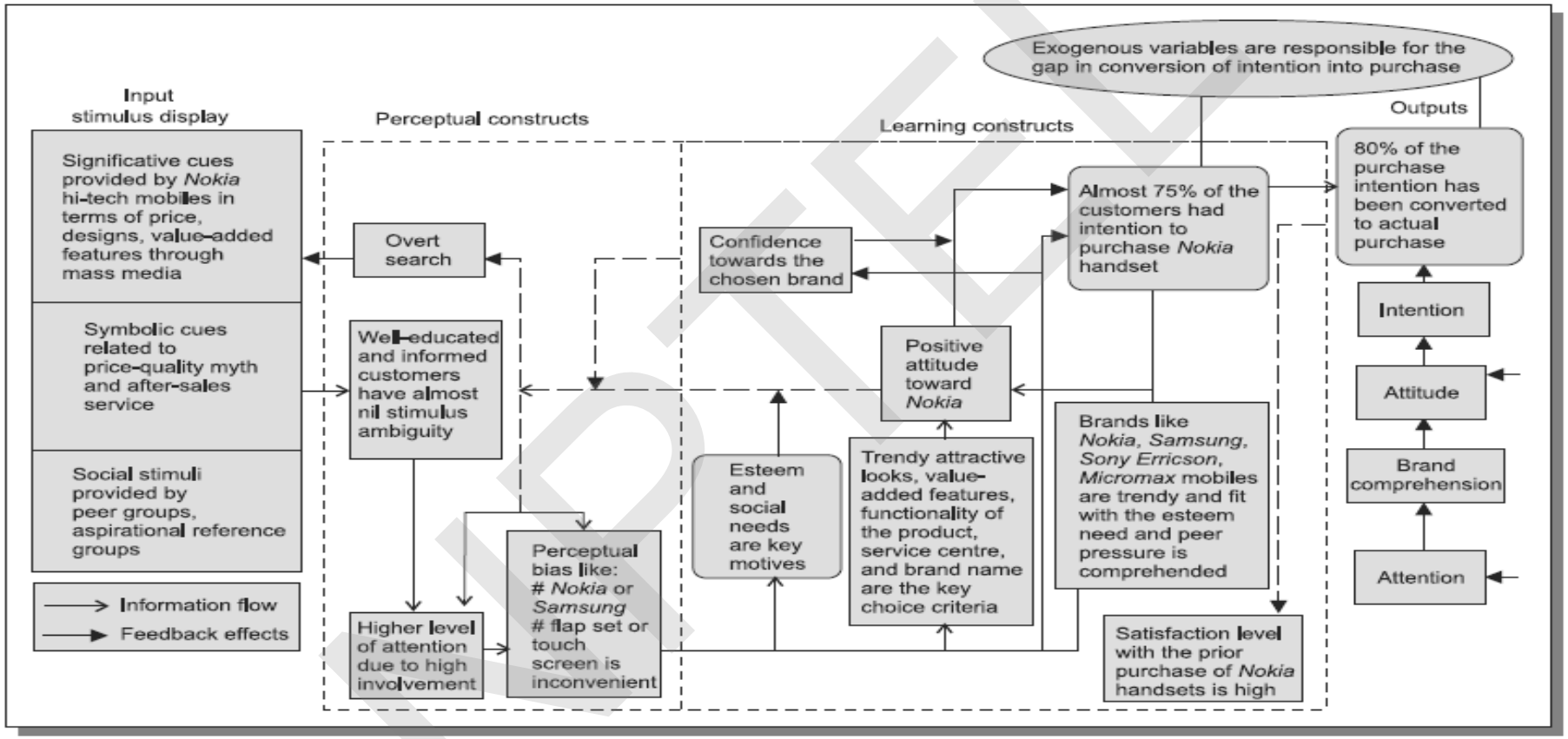


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Perceptual constructs

- *Overt search*: After gathering information from different sources, the respondents completed their overt search and then formed a consideration set which included shortlisted brands and models of mobiles.

- *Stimulus ambiguity*: It is evident from the study that the respondents grasped pretty well the information obtained from various sources regarding the mobile phones. There was no point of confusion about certain features in the phone or the way they were represented. Thus, it could be safely claimed that the stimulus ambiguity in this case was zero or nil.

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Perceptual constructs

***Attention*:**

It is important to know how much attention the respondents pay while receiving different input stimuli from different sources. It is important as without any proper attention, the respondent will not be able to comprehend the brand attributes to reach a clear decision about his/her preference and choice of brands/models. To assess the level of attention that the respondents paid to the different input stimulus, the following two aspects were considered.

Do they remember the logo of their preferred brand of mobile phones?

Thirty-two out of the 36 respondents showed that they paid due attention to the different input stimuli.

Do they remember the brand ambassador of their preferred mobile phone brand?

The result here was pretty interesting as 22 out of the 36 respondents were not able to remember the brand ambassador of their preferred brand whereas 13–14 respondents were able to remember the brand ambassadors. But this does not necessarily mean that the respondents were not clear about their choice of brands. Almost 75% of the respondents who were not aware of the brand ambassadors of *Nokia*/*Samsung* preferred those brands. The positioning strategy of *Nokia* is such that they rely mainly on the quality of their phones and the loyal customer base. Brand mascots were found to have little or no impact on the choice of *Nokia* handsets.

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Perceptual constructs

Perceptual bias:

- Perception, as its definition goes, is the process by which an individual selects, organizes, and interprets stimuli into a meaningful and coherent picture of the concerned product. Whenever a consumer is in the process of decision-making to buy a certain product, it is common that he/she distorts the information received in such a way that it fits his/her established needs or experience. The perceptual bias can occur as a result of previous experience or preconceived ideas about something. These perceptual biases usually eliminate some brands or models.

- In this study, it is observed that the majority of the respondents thought *Nokia* was durable and sturdy and some of them did not prefer phones with flip or touch screen, and accordingly the consideration set of the consumer was formed.

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Use of Howard-Sheth Model for choosing High-end mobile phones (Refer the example in the book. Page 317)

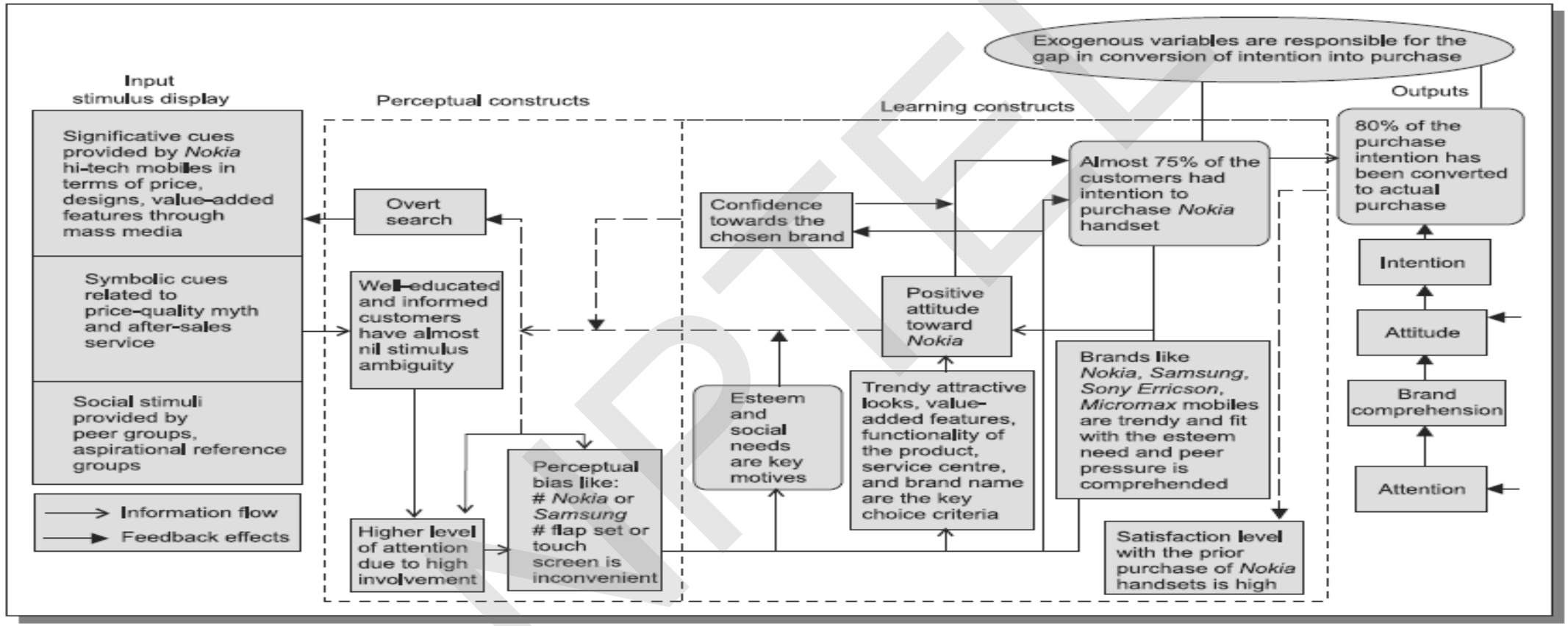


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Learning constructs

- *Motives*: It is important to know about the motives for which a consumer is contemplating to buy a certain good. In the present study, an attempt was made to identify the motive/s of the respondents for which they wanted to buy a hi-tech phone.

- Motive can also be termed as the need for which the respondents want to buy a phone. From the focus group interview, the following needs were observed among the respondents.

  ∑ Esteem needs: Seventy-five percent respondents agreed that the motive of buying a hi-tech phone was to use it as a status symbol.

  ∑ Social needs: Some of the respondents also acknowledged the fact that the motive behind their purchase was to keep in touch with their near and dear ones.

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Learning constructs

- *Choice criterion*:

The following choice criteria in terms of mobile phones were revealed during the study.

  - *Price:* Price was revealed as an important criterion for choosing a brand of mobile phone. In this study, 80% of the respondents found INR 10,000–20,000 as the accepted price range for their hi-tech phones whereas 10% of the respondents found INR 20,000 and above as the accepted price range. The rest 10% respondent thought that INR 7000–10,000 was the accepted range. Thus, it can be claimed that, for the majority, the accepted price was above INR 10,000.

  - *Functionality*: Choice of the different functionalities greatly influences the preference of one model of mobile phone over the other. In this study, it was observed that the majority of the respondents wanted camera, music player, and FM in their phones. Apart from these, they also somewhat preferred the facilities like surfing the Internet from the mobile (such as 3G or Wi-Fi). This result is not surprising as it has already been observed that, for majority, the motive to buy a mobile was either related to one's esteem or belongingness.

Learning constructs

Choice criterion:

- *Availability of service centres*: Fifty percent of the respondents were found to be indifferent to this aspect and assumed it is not so important to have a service centre in the vicinity of their residence. But the rest of the consumers felt the importance of having a service centre near their residence. As a matter of fact, as the respondents resided in Kolkata, one of the biggest metropolitan cities in India, they knew that they would in any case find a service centre in proximity for almost all mobile brands.

- *Brand name*: Brand name was revealed as an important parameter for 85% of the respondents as they steadily recalled the brand names like *Nokia*, *Samsung*, *Sony Ericsson*, etc.

- *Other criteria*: There were certain other criteria which crept up in course of the interview. Majority of the respondents wanted the mobile phone to have a good battery life and some even preferred the phone to be sleek in appearance and light-weighted. Another criterion which came into light was that some respondents wanted the keypad to be smooth and easy to use.

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Learning constructs

- *Brand comprehension*:

❖ Based on the motives and the choice criteria, the different brands under consideration were comprehended.

❖ In the present study, majority of the respondents had a positive brand comprehension about *Nokia* followed by *Samsung*, *Sony Ericsson*, and *Micromax*.

❖ The result could be easily interpreted as majority of the respondents had a bias towards *Nokia* as it offered the functionalities that they wanted and at the same time fulfilled their buying motives.

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Learning constructs

- *Attitude*: Although in this study, majority of the respondents had a positive attitude towards *Nokia*,i.e., they liked the brand; it may not necessarily ensure that they had the intention to buy it.

- *Confidence*: Before a consumer develops an intention to buy a product, he must have the confidence init. As the present study is concerned with only hi-end and high priced mobile phones (which were high-involvement products), so the confidence of the customers on the chosen brand was extremely crucial. Most of the respondents took the decision to buy the mobile themselves and the time gapbetween the decision to buy the phone and actual purchase was one week on an average. They bought the handsets once they were pretty confident of the brand/model attributes

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Learning constructs

- *Intention to purchase*: Even if consumers had a positive attitude towards a brand and were also confident of their chosen brand, it was observed that only 62% had an intention to buy a new hi-tech hand set or replace their existing handset with a new one. Actually in between attitude formation and developing purchase intention, several exogenous variables come into play. If these exogenous variables have a positive effect on the consumer, the consumer would form an intention to purchase the product and he may go ahead and buy it.

- *Satisfaction*: Satisfaction is a post-purchase phenomenon. Eighty-five percent of the respondents, who had already purchased a hi-tech mobile, seemed to be satisfied with their final purchase and agreed to recommend their phones to others as well.

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Use of Howard-Sheth Model for choosing High-end mobile phones (Refer the example in the book. Page 317)

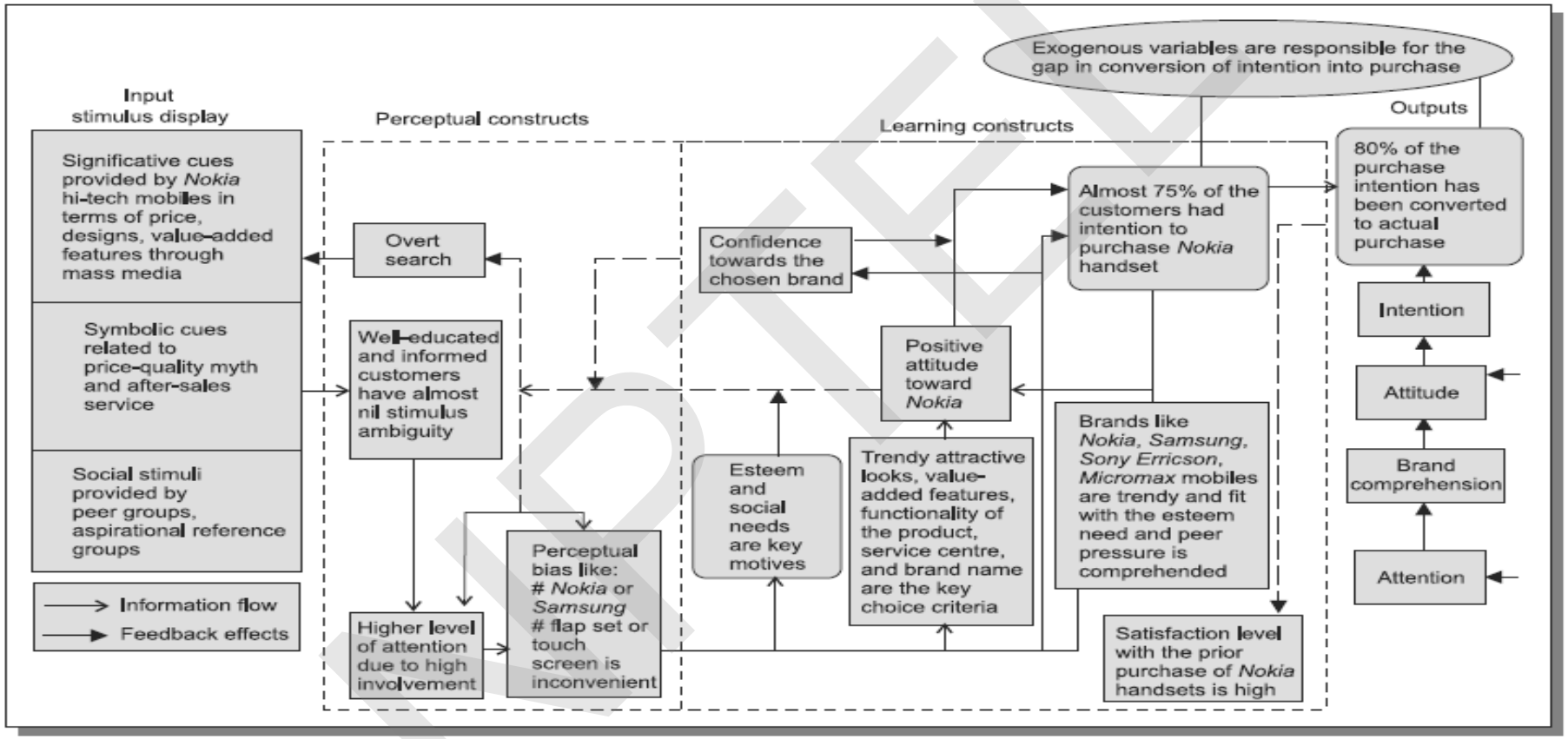


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Exogenous variables

- *Importance of purchase*: The importance of purchase of a hi-tech mobile phone was observed to be very high as it satisfied the social and esteem needs of the consumer.
- *Personality variables*: All the respondents were well educated and, thus, were well aware of the attributes of the products/brands and there was no information ambiguity as such.
- *Financial status*: The average monthly household income of the respondents was aboveRs.30,000 and, thus, they were well placed to purchase a hi-tech mobile.
- *Time pressure*: Though there was no time pressure as such, the respondents took almost a week's time to decide on the purchase of such high priced and high involvement product.
- It was clear from this study that in the present context, the exogenous variables did not pose any hindrance in the consumer's intention to buy the mobile phone. Thus, combined with a positive attitude and high confidence about a certain brand, the respondents formed an intention to purchase a hi-tech mobile phone of a certain brand. In the present study, it was *Nokia N* series mobiles.

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Output

- The respondents had paid positive attention to different input stimuli they were exposed to.
- These stimuli in turn helped them to form a positive brand comprehension about a certain brand of mobile phones.
- This positive brand comprehension, combined with the brand attributes, fulfilled the motives and choice criteria of the consumer and formed a positive attitude about the brand in the consumers' mind.
- When the consumers were pretty confident of the brand and the exogenous variables also did not pose any hindrance, the consumer formed an intention to buy a hi-tech mobile phone of the chosen brand, *Nokia*.
- Thereafter, the customer purchased the phone.

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Thank you

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