



# **SATHYABAMA**

**INSTITUTE OF SCIENCE AND TECHNOLOGY  
(DEEMED TO BE UNIVERSITY)**

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**School of Management Studies**

**UNIT – I**

**CONSUMER BEHAVIOR - SBAA7009**

## **UNIT – I**

Consumer Behavior – Meaning, Definition – Scope and Application of consumer behavior – Consumer Involvement – Nature and Characteristics of Indian Consumers – Consumer Behavior interdisciplinary approach; Introduction to Industrial Buying Behavior, Consumer Behavior Models

### **Introduction:**

Consumer behavior is the study of how individual customers, groups or organizations select, buy, use, and dispose ideas, goods, and services to satisfy their needs and wants. It refers to the actions of the consumers in the marketplace and the underlying motives for those actions.

Marketers expect that by understanding what causes the consumers to buy particular goods and services, they will be able to determine—which products are needed in the marketplace, which are obsolete, and how best to present the goods to the consumers.

The study of consumer behavior assumes that the consumers are actors in the marketplace. The perspective of role theory assumes that consumers play various roles in the marketplace. Starting from the information provider, from the user to the payer and to the disposer, consumers play these roles in the decision process.

The roles also vary in different consumption situations; for example, a mother plays the role of an influencer in a child's purchase process, whereas she plays the role of a disposer for the products consumed by the family.

### **Some selected definitions of consumer behavior are as follows:**

1. According to Engel, Blackwell, and Mansard, 'consumer behavior is the actions and decision processes of people who purchase goods and services for personal consumption'.
2. According to Loudon and Bitta, 'consumer behavior is the decision process and physical activity, which individuals engage in when evaluating, acquiring, using or disposing of goods and services'.

**Consumer behavior** is the study of how individual customers, groups or organizations select, buy, use, and dispose ideas, goods, and services to satisfy their needs and wants. It refers to the actions of the consumers in the marketplace and the underlying motives for those actions.

### **Nature of Consumer Behavior:**

#### **1. Influenced by various factors:**

- a. Marketing factors such as product design, price, promotion, packaging, positioning and distribution.
- b. Personal factors such as age, gender, education and income level.

- c. Psychological factors such as buying motives, perception of the product and attitudes towards the product.
- d. Situational factors such as physical surroundings at the time of purchase, social surroundings and time factor.
- e. Social factors such as social status, reference groups and family.
- f. Cultural factors, such as religion, social class—caste and sub-castes.

**2. Undergoes a constant change:** Consumer behavior is not static. It undergoes a change over a period of time depending on the nature of products. For example, kids prefer colourful and fancy footwear, but as they grow up as teenagers and young adults, they prefer trendy footwear, and as middle-aged and senior citizens they prefer more sober footwear. The change in buying behavior may take place due to several other factors such as increase in income level, education level and marketing factors.

**3. Varies from consumer to consumer:** All consumers do not behave in the same manner. Different consumers behave differently. The differences in consumer behavior are due to individual factors such as the nature of the consumers, lifestyle and culture. For example, some consumers are technoholics. They go on a shopping and spend beyond their means.

They borrow money from friends, relatives, banks, and at times even adopt unethical means to spend on shopping of advance technologies. But there are other consumers who, despite having surplus money, do not go even for the regular purchases and avoid use and purchase of advance technologies.

**4. Varies from region to region and country to county:** The consumer behavior varies across states, regions and countries. For example, the behavior of the urban consumers is different from that of the rural consumers. A good number of rural consumers are conservative in their buying behaviors.

The rich rural consumers may think twice to spend on luxuries despite having sufficient funds, whereas the urban consumers may even take bank loans to buy luxury items such as cars and household appliances. The consumer behavior may also varies across the states, regions and countries. It may differ depending on the upbringing, lifestyles and level of development.

**5. Information on consumer behavior is important to the marketers:** Marketers need to have a good knowledge of the consumer behavior. They need to study the various factors that influence the consumer behavior of their target customers.

**The knowledge of consumer behavior enables them to take appropriate marketing decisions in respect of the following factors:**

- a. Product design/model
- b. Pricing of the product
- c. Promotion of the product
- d. Packaging
- e. Positioning
- f. Place of distribution

**6. Leads to purchase decision:** A positive consumer behavior leads to a purchase decision. A

consumer may take the decision of buying a product on the basis of different buying motives. The purchase decision leads to higher demand, and the sales of the marketers increase. Therefore, marketers need to influence consumer behavior to increase their purchases.

**7. Varies from product to product:** Consumer behavior is different for different products. There are some consumers who may buy more quantity of certain items and very low or no quantity of other items. For example, teenagers may spend heavily on products such as cell phones and branded wears for snob appeal, but may not spend on general and academic reading. A middle- aged person may spend less on clothing, but may invest money in savings, insurance schemes, pension schemes, and so on.

**8. Improves standard of living:** The buying behavior of the consumers may lead to higher standard of living. The more a person buys the goods and services, the higher is the standard of living. But if a person spends less on goods and services, despite having a good income, they deprives themselves of higher standard of living.

**9. Reflects status:** The consumer behavior is not only influenced by the status of a consumer, but it also reflects it. The consumers who own luxury cars, watches and other items are considered belonging to a higher status. The luxury items also give a sense of pride to the owners.

#### Scope of Consumer Behavior:



**Demand Forecasting:** Consumer behaviour helps in the forecasting of demands for the business. Business can identify the needs and wants of the customers by understanding their behaviour. They can easily find out their unfulfilled needs and demands. If they get a clear idea of what customer needs, a business can design their products accordingly. It will help them in the forecasting of demands for products by understanding their behaviour. The business will be able to identify the market opportunities available to them.

**Marketing Management:** Marketing has an important role in the successful functioning of every business. Better understanding of customer needs, problems and expectations will help

the business in framing sound marketing strategies. If a company is able to do marketing effectively it can attract more and more customers. Understanding customer behaviour will help companies to have better knowledge about their customers. This will ultimately help business in conducting their marketing in a better way.

**Selecting The Target Market:** Consumer behaviour helps in identifying target customers from the market. Study of customer behaviour identifies all customers segments with unique and distinct needs. It helps in segmentation of the overall market into different groups. Grouping of customers and identification of their needs will help business in serving them better. The business will be able to design their products in a better way as per the needs and wants of their customer. It makes clear to businesses who are their target customers and what they want.

**Market Mix:** Designing an accurate mix of important elements like product, price, place and promotion are important for every business. It helps in finding out the dislikes and unfulfilled wants of customers. This helps marketers in designing the optimum marketing mix for improving the effectiveness of marketing strategies. The proper marketing mix will help marketers to attract more and more customers thereby increasing the profit.

**Educating Customer:** Consumer behaviour helps marketers to identify how customers spend on their buying decision. By understanding their behaviour marketers can easily guide their customers about how they can improve their buying decisions. They can suggest ways to save their money and guides them with better options available in the market. Customers get aware of different opportunities available to them as per their behaviour.

**Assists in Designing Product Portfolio:** Designing the right product portfolio is a challenging task for every business. Every business should design such a portfolio consisting of all class of products. Consumer behaviour helps in identifying the class and requirements of peoples. This helps in designing products as per people's needs and include in the product portfolio of the company. This way business is able to design the optimum product portfolio and able to serve its customers in a better way.

### **Applications of consumer behaviour:**

**1) Analysing market opportunity:** Consumer behaviour study help in identifying the unfulfilled needs and wants of consumers. This requires examining the friends and conditions operating in the Marketplace, consumers lifestyle, income levels and energy influences. This may reveal unsatisfied needs and wants. Mosquito repellents have been marketed in response to a genuine and unfulfilled consumer need.

**2) Selecting target market:** Review of market opportunities often helps in identifying distinct consumer segments with very distinct and unique wants and needs. Identifying these groups, behave and how they make purchase decisions enable the marketer to design and market products or services particularly suited to their wants and needs. For example, please sleep revealed that many existing and potential shampoo users did not want to buy shampoo for price at rate 60 for more and would rather prefer a low price package containing enough quantity for

one or two washers. This finding LED companies to introduce the shampoos sachet, which become a good seller.

**3) Marketing-mix decisions:** Once unsatisfied needs and wants are identified, the marketer has to determine the right mix of product, price, distribution and promotion. Where too, consumer behaviour study is very helpful in finding answers too many perplexing questions. The factors of marketing mix decisions are:

i) product ii) price iii) promotion iv) distribution

**4) Use in social and non profits marketing:** Consumer behaviour studies are useful to design marketing strategies by social, governmental and not for profit organisations to make their programmes more effective such as family planning, awareness about AIDS.

### **Consumer Involvement:**

Consumer involvement is defined as a state of mind that motivates consumers to identify with product/service offerings, their consumption patterns and consumption behavior. Involvement creates within consumers an urge to look for and think about the product/service category and the varying options before making decisions on brand preferences and the final act of purchase. It is the amount of physical and mental effort that a consumer puts into a purchase decision. It creates within a person a level of relevance or personal importance to the product/service offering and this leads to an urge within the former to collect and interpret information for present/future decision making and use. Involvement affects the consumer decision process and the sub processes of information search, information processing, and information transmission. As Schiffman has put it “Involvement is a heightened state of awareness that motivates consumers to seek out, attend to, and think about product information prior to purchase”. It is the perceived interest and importance that a consumer attaches to the acquisition and consumption of a product/service offering.

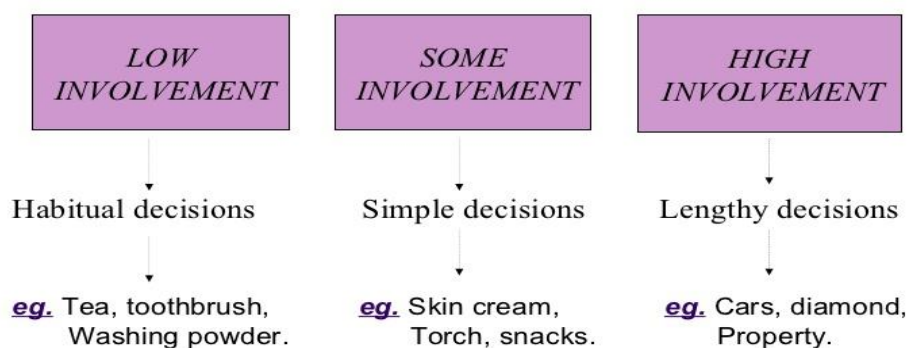
**Types of Consumer Involvement:** Depending on whether the involvement is short term or long term, consumer involvement could be of two types, viz., situational and enduring.

**1. Situational involvement:** This is a state of arousal directed towards attaching relevance to a person/object/situation for a short term. As an affective state, it creates a level of involvement when a person thinks about a particular person/object/situation. It is specific to a situation and is thus temporary in nature. It could vary from low to high, depending upon the situational factors. For example, a middle aged lady suddenly decides to gift a laptop to her son on his birthday. She is not techno savvy and has little interest with the product category. She goes to the electronics mall and visits the various stores that sell computers and laptops. She collects information on the product features, prices, etc and finally takes the help of her middle aged neighbor to reach a final decision. Her involvement with the purchase activity would be regarded as a situational involvement.

**2. Enduring involvement:** When the level of involvement towards the product/service category extends over a period of time across situations, it is referred to as enduring

involvement. The person shows a high-level of interest in the product category and spends time collecting and processing information and integrating it within his memory. For example, a person desires to buy a laptop for his son to be gifted to him when he goes to college, which would be three years later. The father plans well in advance, tries to collect information through advertisements, brochures, trade journals, visits to dealers, and word of mouth from peers and colleagues. Within this period he gets involved with the product category and after three years is in a position to take a decision based on the facts that he has collected. This is referred to as enduring involvement. Enduring involvement with a product category often gives birth to an opinion leader. An opinion leader is a person who holds interest in a particular product/service category, and becomes a specialist; he makes efforts to gather all information about the category, the brand offering etc.; he talks about and spreads the information and the knowledge that he possesses. When a person wants to make a purchase, he seeks the advice and guidance of such an opinion leader who helps him make a decision. Opinion leaders are product specific. In the example above, if the lady approaches her neighbour and takes his advice/guidance because the neighbour is young, techno savvy and knows a lot about electronics and in particular laptops, she would actually be taking help of what is known as an “opinion leader”.

### **LEVELS OF INVOLVEMENT**



### **Nature and Characteristic of Indian Consumer:**

- India has transformed from a needs based market to a wants based market.
- India opened its economy to the global market place in the early 1990's.
- Many Multinational Corporations rushed into pursue its middle class consumers – an estimated (200 million people) to catch and cash on.

- But saw low incomes, resistance to change and conservative consumers..
- It turned out that the Indian consumer was a tough one to figure out and win over.
- But past 15 yrs Indian consumers has shown some characters of development/improvement.

**Seven characteristics are:**

- Increasing shift towards consumerism, over the past decade..
- Indian consumers are getting more materialistic..
- Consumerism is becoming a way of life
- Comfort with borrowing to fund future consumption
- Foreign is passé; Indian is paramount.
- The rise of women
- Comfort with technology

**1. Increasing shift towards consumerism:**

- India's GDP growth has been strong and sustained. 8% average rate of growth in past three years.
- Indians constitute one fifth of the world's citizens below the age of 20.
- Indian consumer is increasingly young, enthusiastic and waiting to explore.

**2. Indian consumers are getting more materialistic:**

- 50% of the India's urban population had adopted to work hard and get rich policy. By 1996 and in 7 years another 9% has joined this line,
- Work hard – paid for it adequately – increases the purchasing power which marketers are looking to.
- Findings of a survey that Gallop poll conducted of about 50 nations, it was discovered that the average work week of Indians is 50hrs. Top in the hard working nations globally.
- Average work week of US is 42 hrs, Major European countries like France and Germany is less than 40hrs.

**3. Consumerism is becoming a way of life:**

- Indians to set money aside for electronics and durables has grown dramatically. Eg. LG, Samsung, Hitachi..
- Indian consumer has moved towards consumerism indicating increasing towards life's pleasure.
- Consumerism in durable, electronics, and travel & entertainment (Multiplex, Theme parks, Resorts etc.)
- And it is not merely a large city phenomenon; people in small towns espouse these values as well.
- Among durable goods high tech luxury items are increasingly in demand. The number of Indians who own and use mobile phones has grown 1600%, 3 million subscribers a month.



- A majority of the potential customers are entering the market for the first time - this signifies an expanding market.

#### **4. Comfort with borrowing to fund future consumption:**

- Today Indians are very comfortable borrowing for current consumption.
- The concept of EMI (Equalized Monthly Instalment) is legitimized borrowing.
- 60% of the salary are paid as EMI,.
- EMI provides a certain discipline with predictable and planned outflows and that is probably making indebtedness more acceptable.

#### **5. Foreign is Passé; Indian is Paramount:**

- “Made in India” has more credibility
- India’s faith in foreign companies has been static.
- According to a survey, In 1996 only 34% expressed confidence in Indian companies. In 2006, 56% did.
- Indians realize that not all foreign goods are perfectly suited to their taste and needs; they need products that are made in India and for Indians.
- Among 20 most respected brands in India 8 are Indian including TATA, Godrej, Bajaj. 5 of the TOP are New Foreign Brands.
- The New foreign brands have been successful because they introduced customized version –
- Eg: Nokia – 1100 model – Flash light for truck drivers
- Sun silk – Shikakai
- Lifebuoy – adapted to indianized – more from a carbolic soap to aesthetic soap.

#### **6. The rise of women:**

- Women are becoming a partner in all purchasing decisions.
- Women are saying “I CAN AND I WILL “and emerging as partners in all family purchases.
- Women are changing and reorganizing their times and their household chores.
- Eg: Ginger garlic paste, ITC – Kitchens of India,
- 2 decades ago ready to eat was rejected by Indian markets.

#### **7. Comfort with Technology:**

- InfoTech Awareness
- InfoTech driven employment opportunities
- Mushrooming of Call centres/ BPO Industries
- ITC - E- Choupal
- Cyber Grandmas and Grandpas from upper middle and upper class have become computer and mobile literate.

#### **Some more characteristics... :**

- High degree of value orientation.
- Most discerning consumers in the world-Even, luxury brands have to design a unique pricing strategy in order to get a foothold in the Indian market.

- High degree of family orientation- extends to the extended family and friends as well. Brands with identities that support family values tend to be popular and accepted easily in the Indian market.
  - Associated with values of nurturing, care and affection which communicate feelings and emotions gel with the Indian consumers.
  - Apart from psychology and economics, the role of history and tradition in shaping the Indian consumer behavior is quite unique.
  - For example, hair oils and tooth powder existing with shampoos and toothpaste.
- Conclusion: There is a new consumer in India waiting to be served with relevant products and services.

### Consumer Behavior – Interdisciplinary Approach:

## Consumer Behavior's Interdisciplinary Roots



- **Psychology:** This includes the study of the individual as well as the individual determinants in buying behavior, viz., consumer perception, learning and memory, attitude, self-concept and personality, motivation and involvement, attitudes and attitudinal change and, decision making.
- **Sociology:** This includes the study of groups as well as the group dynamics in buying behavior, viz., family influences, lifestyles and values, and social group influences.
- **Social psychology:** This includes the study of how an individual operates in group/groups and its effects on buying behavior viz, reference groups and social class influences.
- **Anthropology:** This is the influence of society on the individual viz., cultural and cross-cultural issues in buying behavior, national and regional cultures etc.
- **Economics:** This is the study of income and purchasing power, and its impact on consumer behavior. The underlying premise is that consumers make rational choices while making purchase decisions. While resource are limited and needs and wants many, consumers collect information, and evaluate the various alternatives to finally make a rational decision.

### Industrial Buying Behavior:

**Introduction:** Organizational buyers/ customers refers not only to business firms but also includes the government, retail institutions and other service institutions like universities, colleges, financial firms like banks and social organizations like the red cross, family planning foundations, and others. Thus the scope for marketing to institutions has been significantly enlarged and offers a challenge to the marketer.

Eg: MRF – The Company's customers include, beside the above mentioned customers, the government and its agencies which need auto tyres for their vehicles. Defense, Municipal corporation as well as state transport undertaking's is important govt. departments needing auto tyres.

**Definition:** 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.

**The organizational buyer purchases several products.**

These can be categorized into three major groups.

- a. Capital goods like plant, machinery and office products.
- b. Spare parts and component.
- c. Consumables like raw materials, packaging material. Lubricants and so forth.

**Buying center:** Organizational purchase decisions are joint decisions. All individuals who participate in decision making are referred to as the Decision Making Unit (DMU). To be a part of a DMU, it is important that concerned individuals should have a common goal and share the risk arising out of decisions. The individuals may or may not be a part of the buying organizations. – Like a consultant. All these individuals may directly or indirectly be involved in the decision making process.

Eg. Foreman in the factory.

Marketers should identify all the DMU's in the client organization and understand the expectations and parameters on which vendor recommendation will be done by them. All these DMU's will then constitute the "Buying Centre".

**Organizational Buyer's Decision making process:**

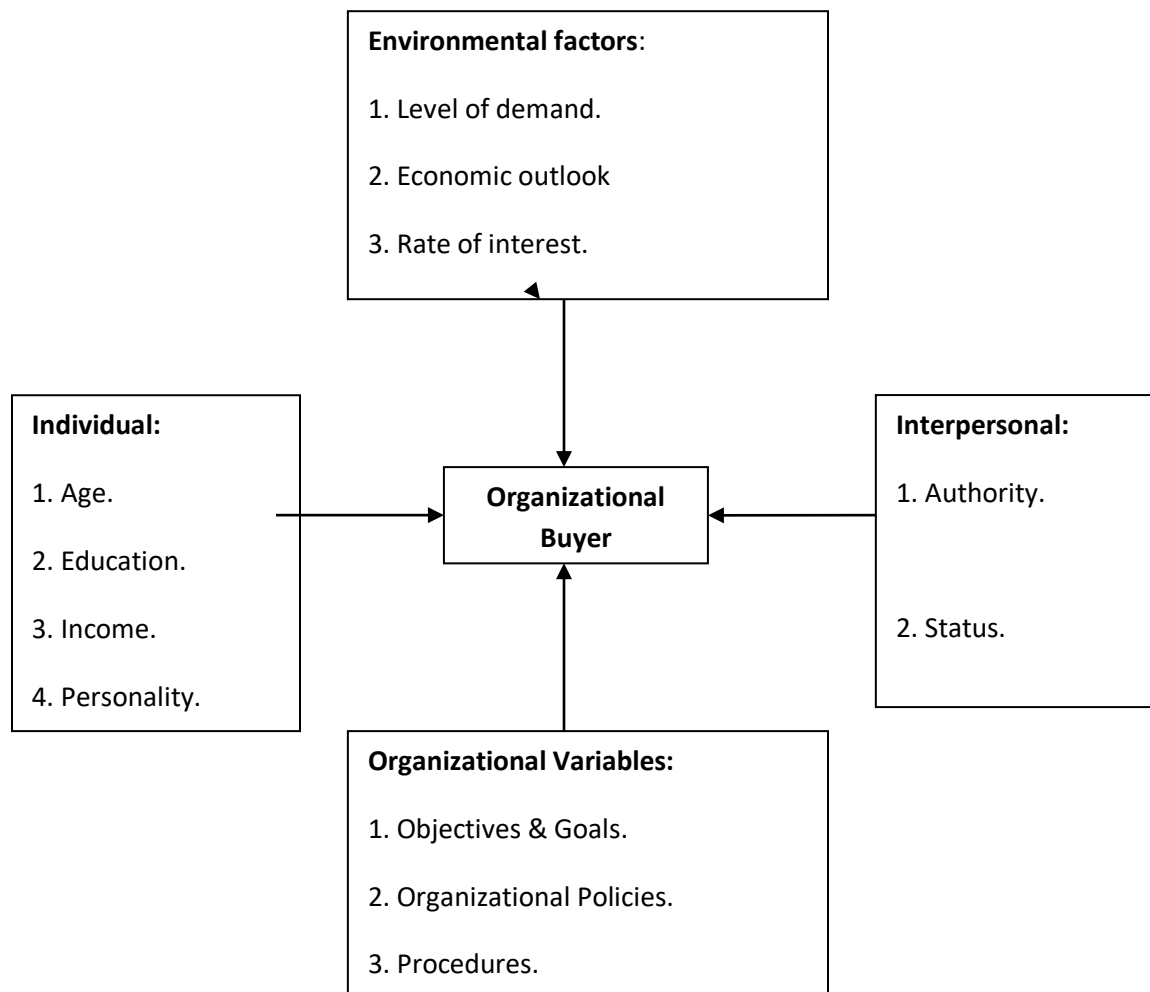
1. Need Recognition
2. Product Specification
3. Laying down qualifications for potential vendors.
4. Inviting proposals from qualified vendors.
5. Evaluating the proposals.
6. Selecting the vendor
7. Determination of order size and placement of order.
8. Review and feedback.

**Factors / Variables influencing Industrial Buying Decisions:**

There are four major variables influencing Industrial buyer decisions:

1. Environmental Variables.
2. Organizational Variables.

3. Interpersonal Variable
4. Individual Variables.



## Models of Consumer Buying Behaviour

### I. Traditional models

- **Economic model:** The economic model of consumer behavior focuses on the idea that a consumer's buying pattern is based on the idea of getting the most benefits while minimizing costs. Thus, one can predict consumer behavior based on economic indicators such as the consumer's purchasing power and the price of competitive products. For instance, a consumer will buy a similar product that is being offered at a lower price to maximize the benefits; an increase in a consumer's purchasing power will allow him to increase the quantity of the products he is purchasing.
- **Learning model:** This model is based on the idea that consumer behavior is governed by the need to satisfy basic and learned needs. Basic needs include food, clothing and shelter, while learned needs include fear and guilt. Thus, a consumer will have a

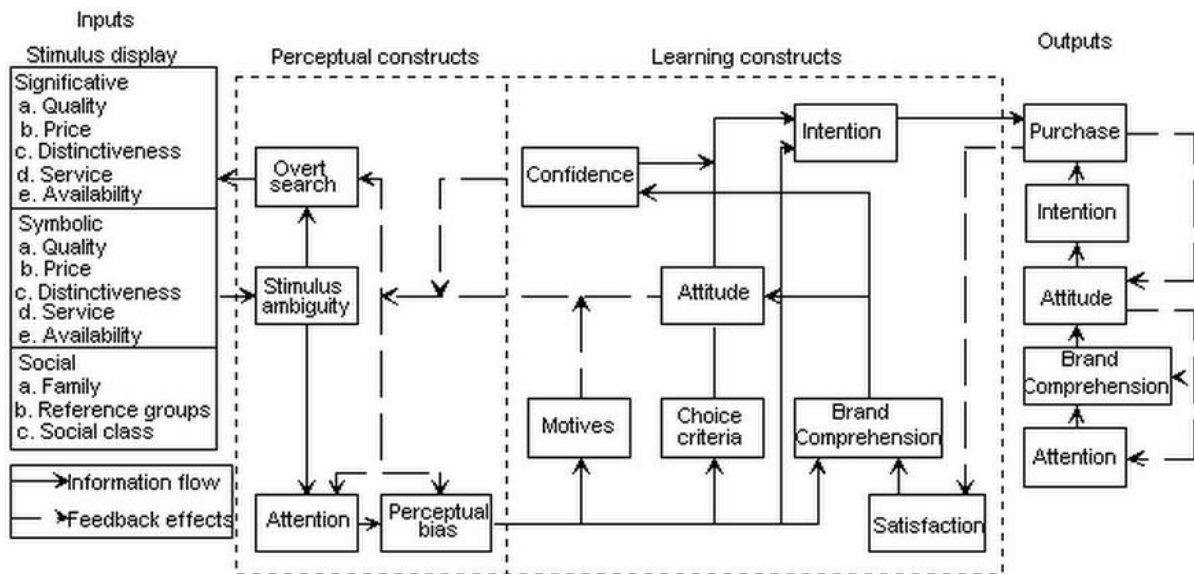
tendency to buy things that will satisfy their needs and provide satisfaction. A hungry customer may pass up on buying a nice piece of jewelry to buy some food, but will later go back to purchase the jewelry once her hunger is satisfied.

- **Psychoanalytic model:** The psychoanalytical model takes into consideration the fact that consumer behavior is influenced by both the conscious and the subconscious mind. The three levels of consciousness discussed by Sigmund Freud (id, ego and superego) all work to influence one's buying decisions and behaviors. A hidden symbol in a company's name or logo may have an effect on a person's subconscious mind and may influence him to buy that product instead of a similar product from another company.
- **Sociological model:** The sociological model primarily considers the idea that a consumer's buying pattern is based on his role and influence in the society. A consumer's behavior may also be influenced by the people she associates with and the culture that her society exhibits. For instance, a manager and an employee may have different buying behaviors given their respective roles in the company they work for, but if they live in the same community or attend the same church, they may buy products from the same company or brand.

## II. Contemporary models

- Howard-Sheth Model
- Engel-Kollat-Blackwell Model
- Nicosia Model
- Stimulus-Response Model
- **Howard-Sheth model (1969)**

It is one of the most comprehensive models of consumer buying behavior and it uses the concept of stimulus-response in order to explain buyer's brand choice behavior over a period of time.



The four major components of the model are

- Input variables
- Output variables
- Hypothetical constructs-Perceptual constructs and Learning constructs
- Exogenous variables
- 

**Input variables:** The input variables are the stimuli come from the environment. The input variables consist of informational cues about the attributes of a product or brand (i.e. quality, price, distinctiveness, service and availability). Significant Stimulies are the actual elements constituting a brand that the buyer confronts. EG. price, quality, service, availability. They influence the consumer directly through the brand's attributes. Symbolic Stimulies are created by manufacturer representation of their products in symbolic form. eg. advertisement, publicity. They derive from the same factors as they are portrayed in the mass media and by salespeople, influencing the consumer in an indirect way. Social stimulies are created by the social environment. eg. reference group, social classes. These are influences that are internalized by the consumer before they can affect the decision process.

**Output variables:** The five output variables in the right hand portion of the model are buyer's observable responses to stimulus inputs. They are arranged in order from Attention to Actual Purchase. The purchase is the actual, overt act of buying and is the sequential result of the attention (buyers total response to information intake), the brand comprehension, brand attitude (referring to the evaluation of satisfying potential of the brand) and the buyer intention (a verbal statement made in the light of the above externalizing factors that the preferred brand will be bought the next time the buying is necessitated).

**Hypothetical constructs:** Hypothetical constructs have been classified in two groups - perceptual constructs and learning constructs. The first deals with the way the individual perceives and responds to the information from the input variables, accounting for stimulus ambiguity and perceptual bias. The second deals with the stages from the buyer motives to his

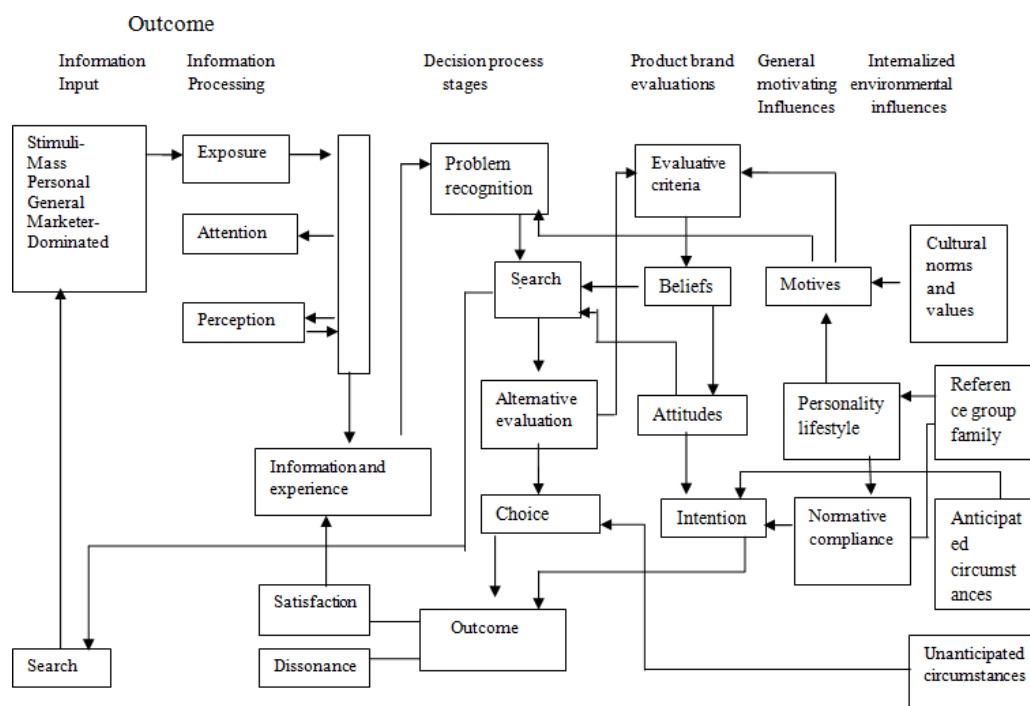
satisfaction in a buying situation. The purchase intention is an outcome of the interplay of buyer motives, choice criteria, brand comprehension, resultant brand attitude and the confidence associated with the purchase decision. The motives are general or specific goals impelling to action, impinging upon the buyer intention are also the attitudes about the existing brand alternatives in the buyer's evoked set, which result in an arrangement of an order of preference regarding brands. Brand comprehension and the degree of confidence that the buyer has about it, choice criteria and buying intentions, converge upon the intention to buy

**Exogenous variables:** The model also includes some exogenous variables which are not defined but are taken as constant. They can significantly affect buyer decisions. Some major exogenous variables included in the model are importance of purchase, personalty variables, culture, social class, financial status.

- **Engel-Kollat-Blackwell model (1978)**

The Engel-Kollat-Blackwell model is essentially a conscious problem solving and learning model of consumer behaviour. This model has a good description of active information seeking and evaluation processes of consumer. This model shows components of decision making and the relationship and interaction among them. In their model of consumer behaviour, they view consumer behavior as a decision process and identify five activities occurring in this decision process over a period of time. They are

- Problem recognition/Need recognition
- Information search
- Evaluation of alternatives
- Choice
- 



**Problem recognition:** the consumer will recognize a difference between his or her actual state and what the ideal state should be. This may occur on account of external stimuli.

**Information search:** Initially the information available with the consumer may be consistent to other beliefs and attitudes held by him or her. While being involved in an information seeking or search stage, the consumer will try to gather more information from various sources. The individual gets exposure of the stimuli which may catch his or her attention, be received and stored or retained in memory. This method of information is selective in nature and the consumer will accept the information, which is conclusive to what is perceived by them.

**Alternative evaluation:** Now the individual will evaluate the alternate brands. The methods used for evaluating the various products will depend on the consumer's underlying goals, motives and personality. The consumer also has certain predetermined beliefs about the various brands in terms of the characteristics associated with the different brands.

**Choice:** the consumer's choice will depend on his or her intention and attitude. The choice will depend on normative compliance and anticipated circumstances. Normative compliance relates to the extent to which the consumer is influenced by other people like friends, family members etc.

**Outcome:** The outcome may either be positive or negative.

Apart from these 5 steps the model also includes a number of other related variables grouped into five categories.

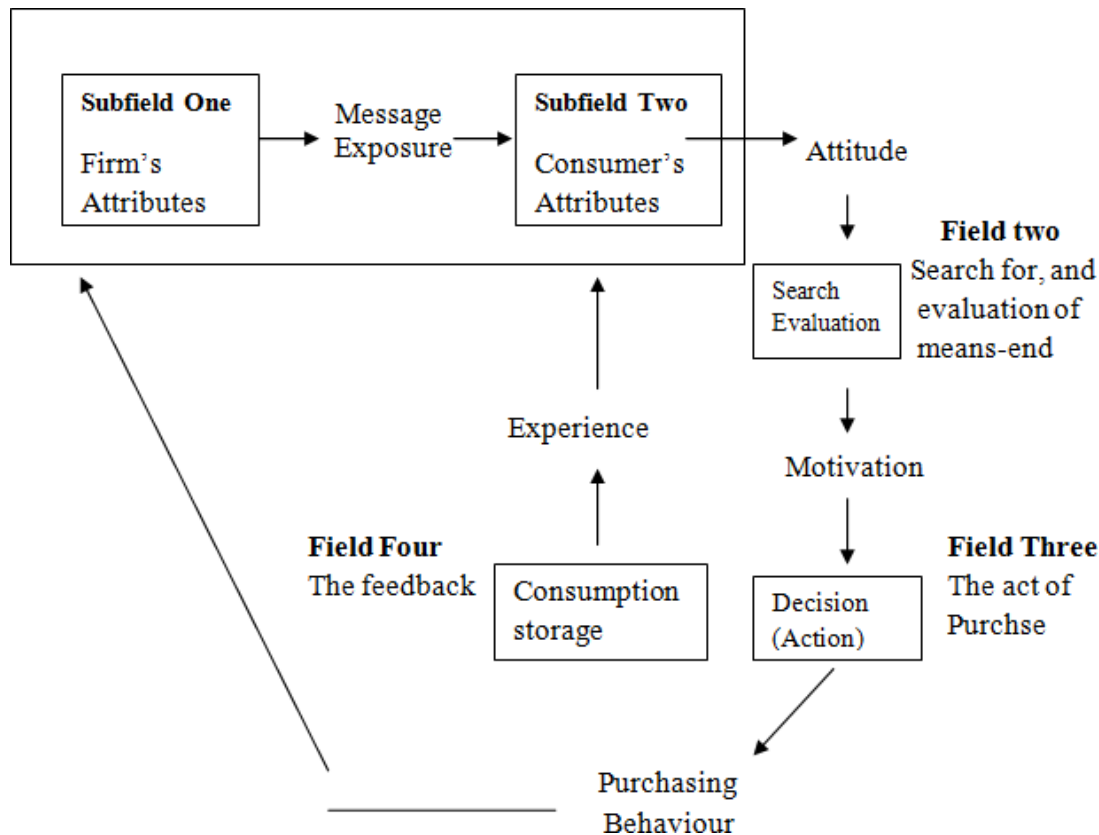
1. Information input
2. Information processing
3. Product-brand evaluation
4. General motivating influences
5. Internalized environmental influences

- **Nicosia model**

This model was developed in 1966, by Francesco Nicosia, an expert in consumer motivation and behavior. The Nicosia model tries to explain buyer behavior by establishing a link between the organization and its (prospective) consumer. The model suggests that messages from the firm first influences the predisposition of the consumer towards the product or service. Based on the situation, the consumer will have a certain attitude towards the product. This may result in a search for the product or an evaluation of the product attributes by the consumer. If the above step satisfies the consumer, it may result in a positive response, with a decision to buy the product otherwise the reverse may occur.

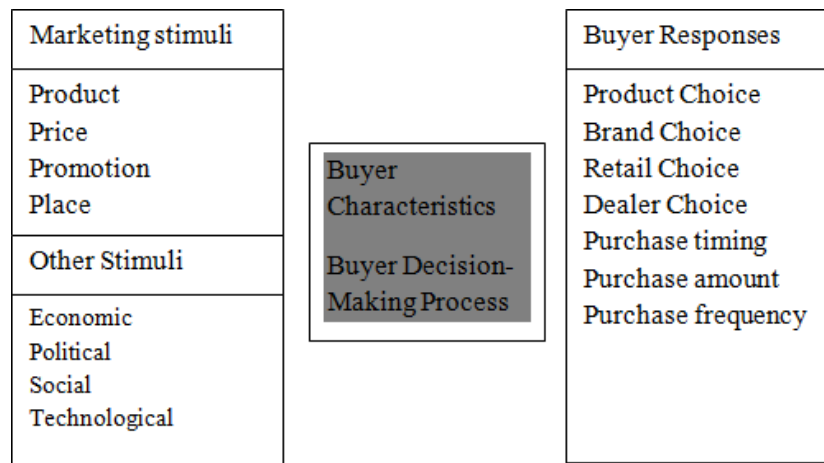
The Nicosia model groups the above activity explanation into four basic areas—fields one has two sub areas—the consumers attribute and firms attributes. Depending on the way, the message is received by the consumer, a certain attribute may develop. This newly developed attribute becomes the input for area two. The second area or area two is related to the search and evaluation, undertaken by the consumer, of the advertised product and also to verify if other alternatives are available. In case the above step results in a motivation to buy the product /service, it becomes the input for third area. The third area explains how the consumer actually buys the product. And area four is related to the uses of the purchased items. This fourth area can also be used as an output to receive feedback on sales results to the firm.





- **Stimulus-Response model**

Marketing and other stimuli enter the buyer's "black box" and produce certain choice/purchase responses. Marketers must figure out what is inside of the buyer's "black box" and how stimuli are changed to responses. Marketing stimuli consist of the four Ps: product, price, place, and promotion. Other stimuli include major forces and events in the buyer's environment: economic, technological, political, and cultural. All these inputs enter the buyer's black box, where they are turned into a set of observable buyer responses: product choice, brand choice, dealer choice, purchase timing, and purchase amount. The marketer wants to understand how the stimuli are changed into responses inside the consumer's black box, which has two parts. First, the buyer's characteristics influence how he or she perceives and reacts to the stimuli. Second, the buyer's decision process itself affects the buyer's behaviour.





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## UNIT – II

**Environmental Factors : Environmental influences on Consumer Behavior:** Consumer Socialization Process; Consumer roles within a family; purchase influences and role played by children; family life cycle - **Social class and consumer behavior:** Determinants and characteristics - **Culture and consumer behavior:** Characteristics of culture, core values held by society and their influence on consumer behavior; introduction to sub-culture and cross-cultural influences - **Opinion leadership process:** Characteristics and needs of opinion leaders and opinion receivers; interpersonal flow of communication – Marketing implications of the above influences.

Consumers don't exist in a vacuum. Their behavior is influenced by the environment in which they live, and this behavior includes their buying behavior. This environment includes families and friends, lifestyle and lifecycle, and the culture and beliefs of their social class. When marketers understand how these influences work, they can often tap into them as they develop marketing strategies.

### **External Environmental Factors Affecting Consumer Behavior:**

It is defined as a complex sum total of knowledge, belief, traditions, customs, art, moral law or any other habit acquired by people as members of society. Our consumer behavior, that is the things we buy are influenced by our background or culture. Different emphasis is given by different cultures for the buying, use, and disposing of products. People in South India have a certain style of consumption of food, clothing, savings, etc. This differs from the people in the North of India. Different cultures and habits are predominant in different parts of the world. Japanese have a different culture from that of USA, England or Arabian countries.

### **Factors Influencing Consumer Behavior:**

**1. Internal Factors:** Internal influences basically come from consumers own lifestyle and way of thinking. These are consumers' personal thoughts, self-concepts, feelings, attitudes, lifestyles, motivation and memory (Kotler, 2002). These internal influences can also be known as psychological influences. Internal influences depict the ways through which consumers interact with the universe around them, identify their feelings, collect and examine information, develop ideas and beliefs, and take some specific action.

#### **a. Psychological:**

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

ii. Perception: Consumer perception towards a particular product or brand influences his or her buying decision. It is the process through which individual selects, organizes and interprets information to draw meaningful conclusion. The iPhone is perceived as a premium brand and consumers are motivated to buy it to get associated with the elite class of the society.

iii. Beliefs & Attitude: Individuals have certain beliefs and attitudes towards products on which their purchase decisions rests. These attitudes and beliefs are the tendency to respond to a given product in a particular way, and these make up the brand image that influences the consumer buying behaviour. Thus, the marketers try to understand the attitudes and beliefs of the individuals and modify these through several marketing campaigns.

**b. Personal:**

i. Age: Consumer buying behaviour is greatly influenced by his or her age, i.e. the life cycle stage in which the consumer falls. People buy different products in different stages of life cycle.

ii. Occupation: The occupation of the individual also influences his buying behaviour. The people tend to buy those products and services that advocate their profession and role in the society. For example, the buying patterns of the lawyer will be different from the other groups of people such as doctor, teacher, businessman, etc.

**2. External Factors:** At the time of purchasing a product or service, all of us are confronted with several external influences that involve our own culture, subculture, household structure and groups. These influences are also known as socio-cultural influences, as these grow from the individuals formal and informal relationships with his friends, family and other individuals. Understanding of these external influences is essential to affect consumers purchasing decisions.

**a. Culture:** The influence of culture on the purchasing behaviour varies from country to country, therefore sellers have to be very careful in the analysis of the culture of different groups, regions or even countries.

i. Social Class & Status: By social class we refer to the group of people who share equal positions in a society. Social class is defined by parameters like income, education, occupation, etc. Within a social class, people share the same values and beliefs and tend to purchase similar kinds of products. Their choice of residence, type of holiday, entertainment, leisure all seem to be alike. The knowledge of social class and their consumer behaviour is of great value to a marketer.

ii. Sub-culture: Within a culture, there are many groups or segments of people with distinct customs, traditions and behaviour. In the Indian culture itself, we have many subcultures, the culture of the South, the North, East and the West. Hindu culture, Muslim culture, Hindus of the South differ in culture from the Hindus of the North and so on. Products are designed to suit a target group of customers which have similar cultural background and are homogeneous in many respects.

**b. Social:** Social factors that influence consumer purchasing include family, peers, roles and

status. Family members such as a spouse, children and parents can exert strong influence on the consumer's purchasing behaviour. Peer pressure is also a strong factor that determines a consumer's purchasing choices. Everyone belongs to a group of some sort, from friends to neighbors and coworkers. Rather than get left out, people purchase products that make them fit in. A person's role in life, for example as a manager and the status that comes with the position, determine certain purchasing choices.

i. Social Roles: Each individual plays a dual role in the society depending on the group he belongs to. An individual working as Chief Executive Officer with a reputed firm is also someone's husband and father at home. The buying tendency of individuals depends on the role he plays in the society.

ii. Social Status: An individual from an upper middle class would spend on luxurious items whereas an individual from middle to lower income group would buy items required for his/her survival.

### **c. Environment:**

i. Technology: Technology is a powerful tool in influencing and changing consumer behaviour. Unless, companies move as swiftly as the technology used by their consumers, they will become obsolete. Today internet and smartphones have completely changed the way consumers choose alternatives, conduct product/brand research and share feedback. Right from the traditional communication process to consumer decision making process, consumer behaviour is highly influenced by technology.

ii. Economy: Economic Factors are the factors that talk about the level of sales in the market and the financial position of the consumer, i.e. how much an individual spends on the purchase of goods and services that contribute to the overall sales of the company. Several economic factor family incomes, personal income, consumer credit history and savings influence the consumer buying behaviour.

iii. Inflation: Inflation is the rate at which the general level of prices for goods and services is rising and, consequently, the purchasing power of currency is falling. Thus, periods of inflation influences consumers to save rather than consume because of distrust and uncertainty in the economy. Inflation influences consumer spending behaviour by influencing both liquid and non-liquid assets since in period of inflation, there is motivation to hold real assets and not assets fixed to nominal values.

iv. Politics: From the implications of Brexit to the election of Donald Trump, politics is having a massive effect on consumers and how they relate to brands. The political environment of a nation breeds or condemns sell or purchase of certain goods. Reforms and public policies further influence the demand supply of certain brands/products.

**d. Marketing:** Marketing strategies including promotions, pricing and packing have tremendous impact on consumer behaviour. A revamped packing of a breakfast cereal with revised messaging on the pack will lead to more eye balls and enhance chances of a brand to get back to

consideration set of the target audience. Similarly, contextual promotions such as festive discounts and offers broaden the purchase horizon of consumers, thus triggering higher than usual expenditure on lifestyle/fashion purchases.

## Consumer socialization:

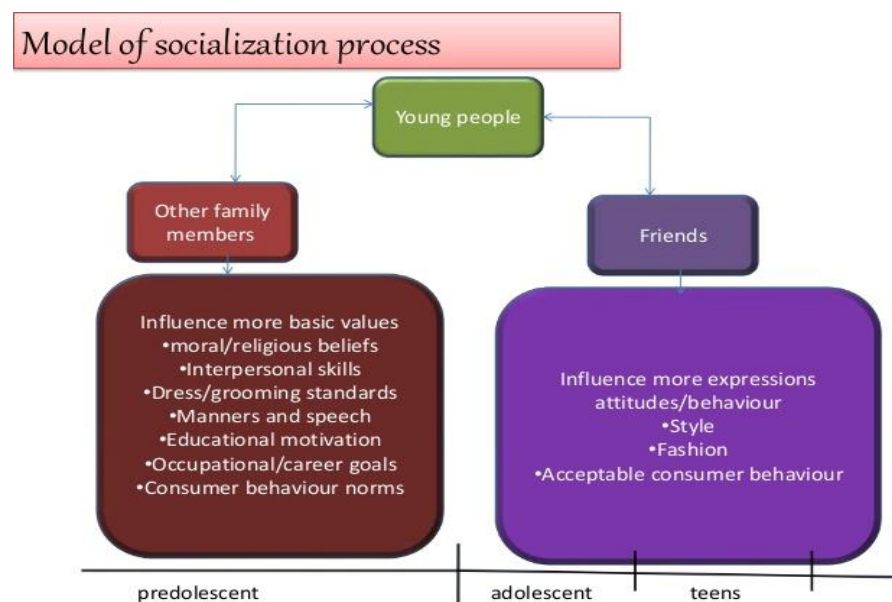
Consumer socialization is the process by which young people acquire skills, knowledge and attitudes relevant to their functioning as consumers in the marketplace. It has been argued, however, that consumer socialization occurs in the adult years as well. This field of study is a subdivision of consumer behavior as its main focus is on how childhood and adolescent experiences affect future consumer behavior. It attempts to understand how factors such as peers, mass media, family, gender, race, and culture plays an influence in developing customer behavior.

### Influences:

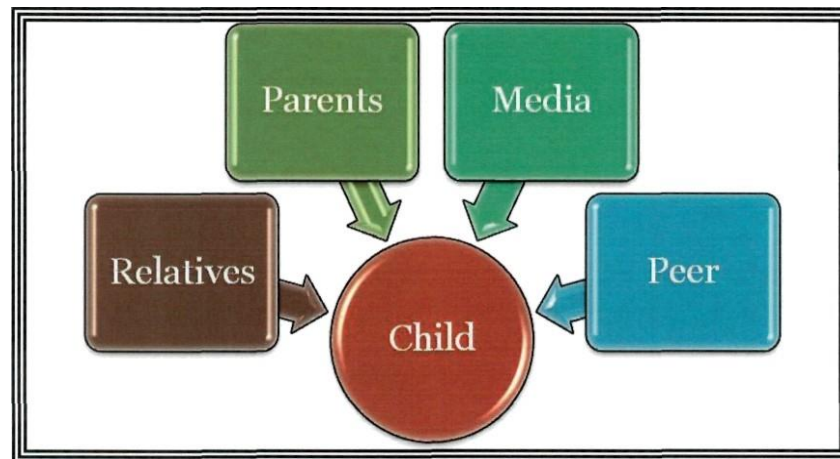
George Moschis and Gilbert A. Churchill Jr posit that mass media, parents, school and peers are all agents of consumer socialization. According to this theory children and young adults learn the rational aspects of consumption from their parents while the mass media teaches them to give social meaning to products; schools teach the importance of economic wisdom and finally peers exercise varying social pressures.

Research in this field is primarily based on two models of human learning: the cognitive development model, which stem primarily from the works of Jean Piaget, and the social learning model, which is based primarily on neo-Hullian, neo-Skinnerian and social learning theory.

This aspect of child socialization started receiving academic attention in early 1970s. Systematic academic research in this area was triggered by charges of various consumer advocacy groups which were concerned with the effects of marketing, especially TV advertising on children.



**Consumer Socialization can occur through**



### **Peers**

Adolescents tend to rely more on peers, such as friends and classmates, to develop their consumer behavior compared to television and family.

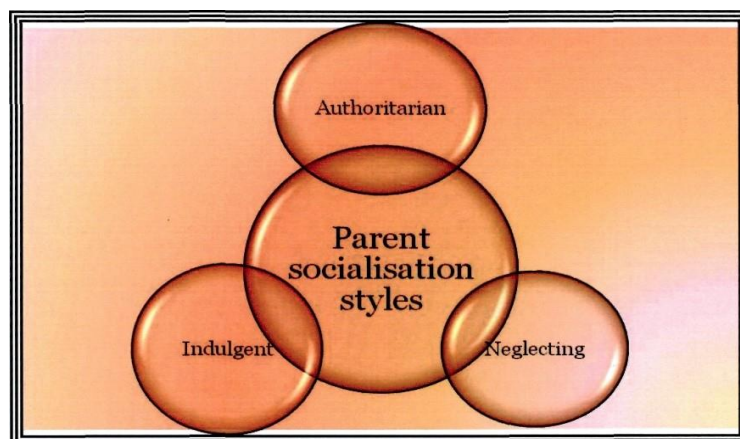
### **Television and advertisements**

Mass media has been shown to be as important of a socialization agent as family and peers. Children learn from observation so by viewing advertisements and lifestyles from a television show they will develop their consumer behavior as well as leaning consumer role perceptions.

### **Family**

Family is a major influence in consumer socialization. Parent-child socialization is an adult initiated process by which developing children, through insight, training, and imitation acquire the habits and values congruent with adaptation to their culture. Mothers tend to have the most influence in consumer development and can teach consumer behavior through observation, direct discussions, and parent supervision.

**Parent's Socialization styles**

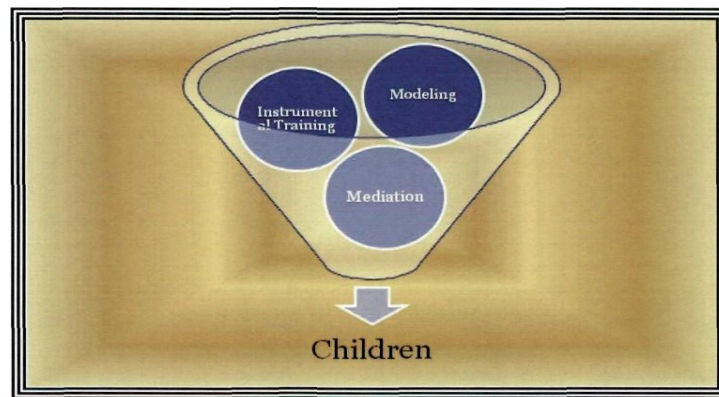


**Parenting style** plays an important role in consumer socialization because parent-child interactions determine how parents teach their child consumer behavior. Parents who have

negative attitudes toward television advertising tend to have children who request fewer purchases and are more consumers educated. Children who spend less time with parents and other familial ties are more likely to be affected by peers and media than children who spend time with their family.

The influence that other familial connections, such as siblings and grandparents, may have on consumer socialization has not been studied as extensively as parents. Siblings has been found to rely on each other to gain information on the marketplace.

#### Consumer Skills taught by Parents

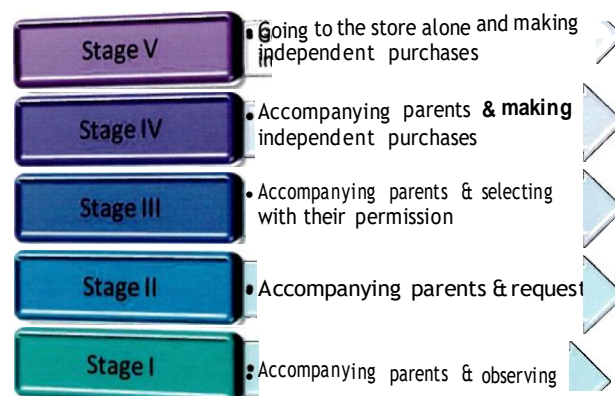


Instrumental Training occurs when a parent specifically and directly attempts to bring about certain responses through reasoning and reinforcement.

Modeling occurs when a child learns appropriate or inappropriate consumption behaviors by observing their parents. Children learn relevant skills, knowledge and attitude by observing their parents who are role models for them. Children learn both positive and negative consumption patterns through Modeling.

Mediation occurs when a parent alters a child's initial interpretation of, or response to, marketing or other stimulus. This also means that if an advertisement triggers a desire, parents alter the belief and discuss how everything shown in advertisements is not true. Children often learn about the purchase and use of products during interaction with family members.

#### Five Stage Model of how children learn to shop?





## Gender

Gender has been identified as a critical social structure variable in consumer socialization. Women tend to have a more positive attitude toward advertisements than males. Young girls and teenagers are more affected by peer and family influence than boys. Young girls are also more likely to deem a brand their favorite based on whether their friends have them.

Boys tend to be more influenced by non-personal communication than interpersonal interactions.

## Race

African Americans tend to watch more hours of television a week and watch different types of television programs compared to their Caucasian counterparts. African Americans rely more on television as a form of consumer socialization than family. African Americans also have a more positive attitude toward advertisements than their Caucasian counterparts. African Americans tend to buy the same brand rather than competing brands.

In Asian cultures, parents and peers tend to have a greater influence on consumer socialization than television. This may be due to Asian cultures' tendency to behave in ways that are best for the community rather than for the individual. This close-knit community leads to a reliance on referrals and word-of-mouth.

Hispanic cultures, like Asian cultures, are family-oriented and can be considered to be collectivist. Hispanic children tend to depend on parents and peers to learn more about consumer behavior.

## Consumer Roles within a Family:

**Table 10.6 Eight Roles in the Family Decision-Making Process**

<b>ROLE</b>	<b>DESCRIPTION</b>
<b>Influencers</b>	Family member(s) who provide information to other members about a product or service
<b>Gatekeepers</b>	Family member(s) who control the flow of information about a product or service into the family
<b>Deciders</b>	Family member(s) with the power to determine unilaterally or jointly whether to shop for, purchase, use, consume, or dispose of a specific product or service
<b>Buyers</b>	Family member(s) who make the actual purchase of a particular product or service
<b>Preparers</b>	Family member(s) who transform the product into a form suitable for consumption by other family members
<b>Users</b>	Family member(s) who use or consume a particular product or service
<b>Maintainers</b>	Family member(s) who service or repair the product so that it will provide continued satisfaction.
<b>Disposers</b>	Family member(s) who initiate or carry out the disposal or discontinuation of a particular product or service

## **Family Life Cycles**

Families pass through a series of stages that change them over time. This process historically has been called the family life cycle (FLC). The concept may need to be changed to household life cycle (HLC) or consumer life cycle (CLC) in the future to reflect changes in society. However, we will use the term FLC<sup>22</sup> to show how the life cycle affects consumer behavior.<sup>23</sup>

### **Family Life Cycle Characteristics**

The traditional FLC describes family patterns as consumers marry, have children, leave home, lose a spouse, and retire. These stages are described in Figure 12.6, along with consumer behaviors associated with each stage. But consumers don't necessarily have to pass through all these stages-they can skip multiple stages

#### **Young Singles**

Young singles may live alone, with their nuclear families, or with friends, or they may co-habitat with partners-translating into a wide range of how much disposable income is spent on furniture, rent, food, and other living expenses in this stage. Although earnings tend to be relatively low, these consumers usually don't have many financial obligations and don't feel the need to save for their futures or retirement. Many of them find themselves spending as much as they make on cars, furnishings for first residences away from home, fashions, recreation, alcoholic beverages, food away from home, vacations, and other products and services involved in the dating game. Some of these singles may have young children, forcing them to give up some discretionary spending for necessities such as day care and baby products.

#### **Newly Married Couples**

Newly married couples without children are usually better off financially than they were when they were single, since they often have two incomes available to spend on one household. These families tend to spend a substantial amount of their incomes on cars, clothing, vacations, and other leisure activities. They also have the highest purchase rate and highest average purchases of durable goods (particularly furniture and appliances) and appear to be more susceptible to advertising.

#### **Full Nest I**

With the arrival of the first child, parents begin to change their roles in the family, and decide if one parent will stay to care for the child or if they will both work and buy daycare services. Either route usually leads to a decline in family disposable income and a change in how the family spends its income. In this stage, families are likely to move into their first home; purchase furniture and furnishings for the child; buy a washer and dryer and home maintenance items; and purchase new items such as baby food, cough medicine, vitamins, toys, sleds, and skates. These requirements reduce families' ability to save, and the husband and wife are often dissatisfied with their financial position.

#### **Full Nest II**

In this stage, the youngest child has reached school age, the employed spouse's income has

improved, and the other spouse often returns to part-or full-time work outside the home. Consequently, the family's financial position usually improves, but the family finds itself consuming more and in larger quantities. Consumption patterns continue to be heavily influenced by the children, since the family tends to buy large- sized packages of food and cleaning supplies, bicycles, music lessons, clothing, sports equipment, and a computer. Discount department stores (such as Costco and Sam's Club) are popular with consumers in this stage.

### **Full Nest III**

As the family grows older and parents enter their min-40s, their financial position usually continues to improve because the primary wage earner's income rises, the second wage earner is receiving a higher salary, and the children earn spending education money from occasional and part-time employment. The family typically replaces some worn pieces of furniture, purchases another automobile, buys some luxury appliances, and spends money on dental services (braces) and education.

Families also spend more on computers in this stage, buying additional PCs for their older children. Depending on where children go to college and how many are seeking higher education, the financial position of the family may be tighter than other instances.

### **Married, No Kids**

Couples who marry and do not have children are likely to have more disposable income to spend on charities, travel, and entertainment than either couples with children or singles in their age range. Not only do they have fewer expenses, these couples are more likely to be dual-wage earners, making it easier for them to retire earlier if they save appropriately.

### **Older Singles**

Single, age 40 or older, may be Single Again (ending married status because of divorce or death of a spouse) or Never Married (because they prefer to live independently or because they co-habitate with partners), either group of which may or may not have children living in the household. Single Again families often find themselves struggling financially due to the high cost of divorce and the expense of having to raise a family on one income. They often have to set up a new household (usually not as big as their previous home); buy furnishings accordingly; pay alimony and/or child support; and sometimes increase travel expenditures if the children live in another city, state, or country. They also pay for clothing and leisure activities conducive to meeting a future mate. On the other hand, many Never Married Single households are well-off financially since they never had to pay child-related costs and often live in smaller homes than large families require. This group now has more available income to spend on travel and leisure but feels the pressure to save for the future, since there is no second income on which to rely as they get older.

### **Empty Nest I**

At this stage, the family is most satisfied with its financial position. The children have left home and are financially independent allowing the family to save more. In this stage

discretionary income is spent on what the couple wants rather than on what the children need. Therefore, they spend on home improvements, luxury items, vacations, sports utility vehicles, food away from home, travel, second homes (or smaller but nicer homes than were needed to house large families), and product for their grand children. This group is also more educated than generations in the past and are looking for un education opportunities, including eco-tourism and computer- related skills.

### **Empty Nest II**

But this time, the income earners have retire, usually resulting in a reduction in income and disposable income. Expenditures become health oriented, centering on such items as medical appliances and health, sleep and digestion medicines. They may also move to climates more suitable to their medical require- ments. But many of these families continue to be active and in good health, allowing them to spend time traveling, exercising, and volunteering. Many continue working part time to supple- ment their retirement and keep them socially involved.

### **Solitary Survivor**

Solitary survivors be either employed or not employed. If the surviving spouse has worked outside the home in the past, he or she usually continues employment or goes back to work to live on earned income (rather than saving) and remain socially active. Expenditures for clothing and food usually decline in this stage, with income spent on health care, sickness care, travel entertainment, and services, such as lawn care and house cleaning. Those who are not employed are often on fixed incomes and may move in with friends to share housing expenses and companionship, and some may choose to re- marry.

### **Retired Solitary Survivor**

Retired solitary survivors follow the same general consumption patterns as solitary survivors; however, their income may not be as high. Depending on how much they have been able to save throughout their lifetimes, they can afford to buy a wide range of products. But for many, spending declines drastically due to lack of need for many new products and higher medical expenses. These individuals have special needs for attention, affection, and security .

### **Social class and consumer behavior:**

One of the factors that influence the awakening of consumer needs is membership in various social classes. Buyers often buy products similar to what their friends own. Therefore, it is important to study membership in social groups. The important thing to remember is that social class membership often determines when people buy products and what they buy. Marketers are therefore interested in understanding social class aspects for taking appropriate marketing decisions.

People in a particular society are divided into different distinct social classes. People are

classified into social classes according to different characteristics. Consumption patterns vary with the change in social classes. For marketer, it is imperative to know each class behaves in terms of consumption behavior. Social class determines an individual's choice, purchase, and consumption of different marketable items.

The division of members of a society into a hierarchy of distinct status classes, so that members of each class have either higher or lower status than members of other classes.

Characteristics of Social Class:

- Social classes are Bounded: By bounded it is meant that there are clear breaks between each social class. This break separates one social class from another. Such a boundary clearly indicates who will be included and who will be not in a particular class.

- They are Hierarchical: Social classes are ordered. It means that, they are positioned vertically. One social class precedes the other, and the individuals placed in different social classes have different statuses from high to low.

- Social Classes are Mutually Exclusive: Social class system indicated that an individual can only belong one social class in a particular time period. It does not mean that movement between the classes is restricted. An individual can move from one class to the another over time. But, generally, an individual is placed in one social class at a particular time.

- They are Exhaustive: Social classes are exhaustive in the sense that everyone in the society must fit in some social class or other, i.e., an individual in a society cannot be classless. Even if one does not possess any material thing, he will be considered as member of a particular class.

They are Influential: Social classes are important determinants of consumer behavior. Variations in consumption of goods and services indicate that social classes are influential. But, the degree of such influence depends on an individual's class awareness and class consciousness.

- They Exhibit Status: Status means one's position or rank in the social system as perceived by others. Whether an individual will assume high or low status depends on the class to which he belongs. Certain social class members assume higher status than members of other social classes. One's status within the class, again depends on his personal characteristics. For example, all university professors do not enjoy the same status as their personal characteristics vary

Social Classes are Multidimensional: Social classes are not based on one property or dimension. They are rather based on many, and, as a result they are termed as

multidimensional. We do not classify people according to one criterion, such as income, rather number of other criteria are used for social classification. Some of the other criteria as used in social classification are: influence, occupation, education, heredity, and living area.

**They Restrict Behavior:** It is expected that members of a particular social class will interact with members of their class except few exceptions. People also feel comfortable interacting with people of the same class, mind and mentality. Such a unidimensional interaction restricts interpersonal communications about products, stores, and similar topics. People of upper class, for example, may talk about a particular product whose name is not even heard by the members of a lower class.

□ **They are Homogeneous:** Individuals belonging to a particular social class will have similar attitudes, values, beliefs, interests, activities, lifestyles, and consumption behavior. Where they will differ from the members of others classes in these respects. This homogeneity among the members of a particular social class helps marketers segmenting markets effectively.

□ **Social Classes are Dynamic:** The concept of social class is not a rigid one. By this we mean that, individual may move among different social classes over time- upward or downward. Again, status of one particular social class may also change over time as the society reassesses social class status. Air hostesses' status, for example, in our country has changed over time with the change in people's attitudes toward this profession. This change has brought change in their social class position.

#### Determinants of Social Class :

Marketers, for formulating their strategies, should know who belongs to what class. A number of factors determine who belongs to what class in the social system. The basic factors determining an individual's class membership are: (1) occupation, (2) personal performance, (3) possessions/artifacts, (4) interactions/associations, (5) education, and (6) influence.

**Occupation:** Analysts of consumer behavior consider occupation the best single indicator of social class. Generally, prestige ratings of occupations coincide with assumptions about salary, or other monetary rewards, level of education, and social or political power. In our society, we usually rank secretaries, generals, successful businessmen into higher class, where, university teachers are considered as members of middle class.

**Personal Performance:** Personal performance and achievements of an individual may also indicate where he fits in the social ranking. Majority of lawyers in our country preoccupy the middle class. But, a lawyer like Dr. Kamal Hossain definitely fits somewhere in the upper class only because of his personal performance or achievements.

**Possessions / Artifacts:** What material items an individual possesses indicate his class membership. It is obvious that clothing, furnishing, type of house, and appliances owned and used by people of middle and upper class will vary. Thus, an individual's class membership may be determined by the type of house where he lives, clothing he wears, automobile he drives, and household appliances he use.

□ **Interactions / Associations:** We feel comfortable when we mix up and are with the people of similar values and behavior. Interaction or association may be considered as an important determinant of an individual's social class. It is found that friendship, date, and marriages take place within people of the same class.

□ **Education:** Higher or more education generally means higher social class. People holding Ph.D degree do not abound in the lower classes. A bachelor degree, on the otherhand, is almost a prerequisite for placement in the contemporary middle class.

□ **Influence:** Everyone in the society does not hold and use same degree of influence.

In a complex society, individuals having and exercising more power are considered to be the members of higher social class. Usually, individuals performing coordinating functions, such as ministers, generals, secretaries, are treated as members of upper classes.

## **Culture:**

In marketing and consumer behaviour, culture is frequently reflected in products' features and designs, as well as the layout, visuals and contents of promotional messages (i.e. in print, TV and internet advertising). The figure alongside presents a print ad of Raymond that is likely to appeal to the Indian market where weddings generate a very positive association. Weddings highlight the importance of the family and community, which are core cultural values in India. During the 1980 Raymond appealed to the emerging subculture that had an overtone of Westernization. As an established brand, it has now been using wedding/family associations that also find an important place in the life of urban consumers.

### **Definitions and Characteristics of Culture:**

#### **Definitions:**

Culture has been defined in number of ways. There is no consensus among sociologists and anthropologists regarding the definition of culture. One of the most comprehensive definitions of the term culture was provided by the British anthropologist Edward Tylor. He defined culture as "that complex whole which includes knowledge, belief, art, morals, law, custom and any other capabilities and habits acquired by man as a member of society".

Some define culture as:

- The characteristics and knowledge of a particular group of people, encompassing language, religion, cuisine, social habits, music and arts.
- The distinctive way of life of a

group of people, their complete design for living

### **Characteristics of Culture:**

Every culture has rules that its members take for granted. Few of us are aware of our own biases because cultural imprinting is begun at a very early age. And while some of culture's knowledge, rules, beliefs, values, phobias and anxieties are taught explicitly, most is absorbed subconsciously.

Of course, we are all individuals, and no two people belonging to the same culture are guaranteed to respond in exactly the same way. However, generalizations are valid to the extent that they provide clues on what you will most likely encounter – and how those differences impact communication. Here are three such generalizations.

- **Invented:** Culture is not a force, operating by itself and independent of the human actors. There is an unconscious tendency to defy culture, to endow it with life and treat it as a thing. Culture is a creation of society in interaction and depends for its existence upon the continuance of society. In a strict sense, therefore, culture does not 'do' anything on its own. It does not cause the individual to act in a particular way, nor does it 'make' the normal individual into a maladjusted one. Culture, in short, is a human product; it is not independently endowed with life.

- **Learnt in early life:** The definition of culture indicated that the learned behaviour of people is patterned. Each person's behaviour often depends upon some particular behaviour of someone else, especially parents and peers surrounded by in the early stages of life. For example, the ways in which a small child learns to handle a tyrannical father or a rejecting mother often affect the ways in which that child, ten or fifteen years later, handles his relationships with other people.

- **Socially shared:** The patterns of learned behaviour and the results of behaviour are possessed not by one or a few people, but usually by a large proportion. Thus, many millions of persons share such behaviour patterns as Christianity, the use of automobiles, or the English language.

- **Similar but different in its elements:** Culture varies from society to society, group to group. Hence, we say culture of India or England. While social norms of respecting elderly people are a trait that exists across cultures, the style of greeting elders will differ from region to region. In India, we would bend forward and touch the feet of the elders in the house, whereas in England people would simply say Hello.

- **Gratifying & Persistent:** Culture is gratifying as it provides one with hope to offer all opportunities for needs and desires' satisfaction. These needs may be biological or social but It is responsible to satisfy it. Our needs are food, shelter, clothing and desires are status, fame, money, etc. are all the examples which are fulfilled according to the cultural ways and hence it continues to persist as an integral part of our lifestyles.

- **Adaptive:** Culture is considered an adaptive mechanism because it provides behaviour patterns, strategies, and techniques aimed at helping people adapt in a particular environment. The goal of each living thing is survival. While plants and animals adapt to their environment genetically, for humans the most important adaptive mechanism is culture. Example: In the



religious context of the Hindu culture, north Indians offer apples to the idol of worship, whereas south Indians offer bananas. This is largely because of the geographical make of the regions where either of the fruits are found in abundance and hence are considered auspicious.

- **Organized & Integrated:** Culture possesses an order and system. Its various parts are integrated with each other and any new element which is introduced is also integrated.

- **Prescriptive:** The cultural ways are learned by persons from persons. Many of them are “handed down” by one’s elders, by parents, teachers, and others [of a somewhat older generation]. Other cultural behaviour are “handed up” to elders.

- **Dynamic:** There is one fundamental and inescapable attribute (special quality) of culture, the fact of unending change. Some societies at sometimes change slowly, and hence in comparison to other societies seem not to be changing at all. But they are changing, even though not obviously so.

### **Subcultures:**

Culture can be divided into subcultures:

A sub-culture is an identifiable distinct, cultural group, which, while following the dominant cultural values of the overall society also has its own belief, values and customs that set them apart from other members of the same society.

Sub-culture categories are:

- Nationality: Indian, Sri-lanka, Pakistan
- Religion: Hinduism, Islam
- Race: Asian, black, white
- Age: young, middle aged, elderly
- Sex: Male, Female
- Occupation: Farmer, teacher, business
- Social class: upper, middle, lower
- Geographic regions: South India, North-eastern India

Let us now look at some of these aspects of subculture in greater details.

#### **1. Regional, Ethnic, and Religious Influences on Consumer Behavior**

##### **I. Regional Influences**

- A. Regions within the Country
- B. Regions Across the World

##### **II. Ethnic Influences**

- A. Ethnic Groups Within the Country
- B. Multicultural Marketing
- C. Ethnic Groups Around the World

##### **III. Religious Influences**

The three major aspects of culture that have important effects on consumer behavior are regional, ethnic, and religious differences. Firstly, consumption patterns may differ

in various regions of India and the world, and marketing strategy can sometimes be tailored specifically to these regions.

Secondly, our country has a number of different ethnic groups, and population trends will dramatically alter the demographic profile of the country in the next 50 years.

#### Ethnicity

Ethnic origin refers to the genetic heritage group a person is born in

- Marketplace behaviour and marketer response
  - Vary mainstream marketing for ethnic markets
  - Pay attention to customs
  - Product adaptation
  - Use of multicultural models in advertising

This diverse population is described in terms of its distinct identity and language, strong family and religious orientation, solid work ethic, and youthfulness. The broad characteristics can influence consumption (e.g., brand loyalty and the desire for prestige products) and have important implications for product development, advertising, media targeting, promotions, and distribution.

Say for instance, in the United States, the African American population is described as urban, young, social, and religious. Black consumers value prestigious brands and are smart investigative shoppers. These patterns lead to important marketing implications. The very diverse Asian American subculture is described as young and having higher socioeco- nomic status, placing strong value on the family and the group, and being strongly brand loyal. In spite of its diversity, marketing strategies can be developed for this group.

Many marketers are now becoming multicultural in their marketing activities by trying to appeal to a variety of cultures at the same time. Although the diversity of the Indian melting pot may be unique, there are many important ethnic groups in other areas of the world. Finally, religious beliefs and values can influence consumer.

Subcultures are those groups that have values and norms that are distinct from those held by the majority. Let's examine a few subcultural theories and test our knowledge with a quiz.

While small societies tend to be culturally uniform, large industrial societies are culturally diverse and involve numerous subcultures. Subcultures are values and norms distinct from those of the majority and are held by a group within a wider society. In the United States, subcultures might include hippies, Goths, fans of hip hop or heavy metal and even bikers - the examples are endless. One area of particular interest has to do with deviant subcultures.

The study of subcultures often consists of the study of symbolism attached to clothing, music and other visible affectations by members of subcultures, and also of the ways in which these same symbols are interpreted by members of the dominant culture. Dick Hebdige writes that members

of a subculture often signal their membership through a distinctive and symbolic use of style, which includes fashions and mannerisms. Subcultures can exist at all levels, highlighting the fact that there are multiple cultures or value combinations usually evident in any one family/organization/religion/sect/race, that can complement but also compete with the overall dominant culture.

## Changing Indian Core Values

The Indian demographic & psychographic landscape have witnessed enormous changes in the past few decades. The increase in income levels, priority given toward education, and rapid industrialization coupled with liberalization policies pursued relentlessly by the Indian government has transformed the Indian economy. Indian values and national culture have not been spared from the attack from Western values.

These cultural nuances influence the purchase and consumption behaviour significantly as well as the personality and behaviour of Indian consumers.

The following are some of the core values of Indian that help is the study of Consumer Behaviour.

- **Social Sensitivity:** In India, social acceptability is still more important than individual achievement and is given priority in an individual's life. Group affiliations are given precedence with family traditions and values. For most Indians, family is the prime concern and an individual's duty lies with the family. People search for security and prestige within the confines of the near and dear. Individual achievements are viewed in the light of family and societal achievements. Here an individual and society are interlinked, and one cannot create an individual identity independent from the group.

- **Mythology:** Mythological stories, scriptures and music are an inherent part of the Indian culture. Apart from creating a brand experience in a service like tourism, toys, souvenirs, and artifacts can also be drawn from the Indian cultural background. Such products are marketed in places of tourist interest but not necessarily branded. There is a vast potential for creating a brand in this industry – among both foreign and domestic travelers. A value-based branding experience can create a huge market. Local toy manufacturers cater to this specific market to a great extent. Example: The Chota Bheem franchise that originated in the form of a TV Show on Pogo Network is today a national phenomenon with kids (~3-12 yrs.) are seen buying/using merchandise of this character based on Hindu mythology.

- **Urbanization:** As a result of fast paced life in urban areas people hardly get time for shopping activities, this in turn has led to the growth of e-commerce in India. One of the major reasons behind more and more people shopping online is that it is safe, easy and quick way to shop. Thanks to urbanization and increase in per capita incomes as well as disposable incomes, there is immense focus on the quality of every product, be it FMCG or a rare tech purchase. Under the circumstance, the mindset of Indian consumers has transformed whereby now they view price as an indication of quality.

- **Acculturation (as a result of Migration):** Acculturation refers to the process of progress and alteration to one country's cultural environment by an individual from another country” (Blackwell, Miniard and Engel, 2007). From shift in foods habits to influence on clothing and home décor, migration plays a key role in blending values of multiple sub-cultures together. Example: A professional born in Lucknow moves to Chennai for employment opportunities is likely to spread his fondness for kebabs among his native peers who belong to Chennai but don't have a kebab culture in general. This can be true to dressing style too. The same migrant is likely to purchase & use a lungi to be able to blend into the south Indian way of life, especially during special occasions and festivities.

- **Influence of Western Culture:** While the traditional Indian culture gave more importance to the society, the trend is slowly changing with the impact of westernization. Example: Love marriages were considered to be ant-Indian culture and were prohibited a couple of decades ago among certain castes. However, the outlook towards marriages has evolved. Today love-marriages, inter-caste marriages and even live-in relationships and are accepted by and large. While this is at a societal level, there are personal choice influences too. Example: Choice of music has moved from classical/Carnatic to EDMs and Jazz due to greater exposure to western forms of music. Even the concept of having pets in the house or openness towards adoption of kids has evolved.

- **Concept of Family:** Traditionally known for large joint families, Indians have gradually moved to nuclear families (parents with kids, no grandparents and extended family members). While the bond that exists between Indian family members is unique and cannot be seen in western culture, people are seeking independent lifestyles as people prefer to start their chosen life once they are married/ grown up.

- **Technology:** From high-end smartphones to pads, technology is an integral part of the Indian lifestyle today. Consumers from both urban and rural areas have access to internet and technology products like computers, laptops and cellphones. Brands and marketers understand this deep connect of technology in the lives of consumers and strategically use media and channels that can reach their audience in time for promotions and another brand messaging.

- **Festivities:** With an extremely diverse set of cultures and sub-cultures co-existing, India celebrates several festivals from Eid to Diwali to Christmas, to local harvest festivals such as Pongal, Vishu and Lodhi, and religious ceremonies like Ganesh Chaturthi. Each giving enough and more reason for people celebration and indulge into product consumption. Realizing the needs & wants of consumer around the festive period, marketers activate promotional tactics like special deals and offers to maximize sale of products under the context of auspicious/ ritualistic festive shopping.

- **Culture of Saving:** As a third-world country, India has grown very slowly in terms of economic progress, hence our economy has been oriented highly towards savings unlike the western world where the concept of saving is not as strong. Right from lucrative bank interests to stringent rules on loans, India has managed to safeguard the interest of citizens through

systematic saving. Unfortunately, a lot of households still continue to save in cash and breed black money or indulge in grey market (in cash) purchase of gold or property towards saving, thus weakening the efforts of the government.

- **Food Habits:** As in most Asian countries, hot, spicy delicacies are popular in India too. It may be worthwhile to note that food habits have a strong link with the culture and are difficult to change. With the exception of Maggi noodles during the 1980s there has not been a single 'foreign' food item that has become as popular. Bread, which has been around for several decades, is still not popular barring certain urban and some semi-urban markets. But, it is interesting to note that several variants of wheat flour are popular throughout India. The consumption of biscuits with tea, too, has almost become a part of the eating culture for millions of Indians both in urban and rural markets. The success of Tiger biscuits, with its low-priced packs, reflects the strength of such a habit.

### **Cross culture:**

With so much diversity present among the members of just one nation (as in India), we can easily appreciate that numerous larger differences may exist between citizens of different nations having different cultures, values, beliefs, and languages. If international marketers are to satisfy the needs of consumers in potentially very distinct markets effectively, they must understand the relevant similarities and differences that exist between the peoples of the countries they decide to target.

#### **Cross Cultural Consumer Behaviour**

Characteristic features of a firm going global:

1. High market share in the domestic market
2. Advantageous economies of scale
3. Access to marketing/manufacturing bases across global borders
4. Availability of resources and capability to absorb huge losses
5. Product/technology clout
6. Cost and differentiation advantages

### **Opinion Leaders:**

An opinion leader is a well-known individual with an ability to influence public opinion on the subject matter for which the opinion leader is known. An opinion leader can be a common man with good influence among peer groups, a politician, business leader, community leader, journalist, educator, celebrity, or sports star. They are self-motivated individuals who like to give information or advice to others. In doing so, it also enhances their own status and self-image and because such advice tends to reduce any post purchase dissonance that they may have. Other motives to share opinion include product involvement, message involvement or any other

involvement.

Opinion leaders are considered as a highly credible, objective source of product information who can help reduce two aspects: search & analysis time and perceived risk.

Generally, opinion leaders are sociable, self-confident, innovative people who like to talk. Additionally, they may feel differentiated from others and choose to act differently (or public individuation). They acquire information about their areas of interest through avid readership of special interest magazines and by means of new product trials.

For marketers, finding and enlisting opinion leaders to help sell a company's product or idea can be critical to reaching an untapped audience.

### **Characteristics & Impact of Opinion Leaders**

- Opinion leaders largely have the same social-class position as non-leaders, although they may have higher social status within the class.
- Opinion leaders have greater exposure to mass media that are relevant to their area of interest. For example, opinion leaders for women's fashions could be expected to have higher exposure to such magazines as Vogue and Femina. Similarly, automobile opinion leaders might be expected to read Motor Trend or Hot Rod. Exposure to relevant mass media provides them with information useful in enhancing their leadership potential.
- Opinion leaders have greater interest and knowledge of the area of influence than do non-leaders. This finding is closely related to their greater media exposure. Of course, knowledge is not a prerequisite for opinion leader influence. Undoubtedly, much influence takes place by those who are ignorant of the topic of conversation.
- Opinion leaders are more sociable than non-leaders are. This is logical, given that they must interact with those whom they influence.
- Opinion leaders have more innovativeness than do non-leaders. This does not mean, however, that they are innovators (the first people to purchase a new item). In fact, innovators and opinion leaders have been found in several studies to have differing characteristics and lifestyles. In the fashion market, for instance, the innovator is seen as an adventurer who is the earliest visual communicator of the newest styles while the opinion leader is seen as an "editor" of fashions, who defines and endorses appropriate standards.
- Opinion leaders are also more familiar with and loyal to group standards and values than are non-leaders. This refers to the fact that opinion leaders are vested with leadership authority by group members, and in order to maintain this position, the individual has to reflect underlying norms and values for that area of consumption leadership. The clothing influential, for instance, cannot be too far ahead of or behind fashion, but must reflect the current norms in clothing.



# **SATHYABAMA**

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**School of Management Studies**

**UNIT – III**

**CONSUMER BEHAVIOR - SBAA7009**

## **UNIT – III : CONSUMER PERCEPTIONS**

Consumer perceptions – Learning theories and their applications, Brand loyalty, Brand Extensions. Conditioning theories, Cognitive learning theories. Attitudes and Attitude Change; Concept and measurement of attitudes. Strategies of attitude change. Attribution Theory and Cognitive dissonance. Persuasion and persuasibility.

### **The Meaning of Perception**

Perception is the process by which an individual selects, organizes and interprets stimuli into a meaningful and coherent picture of the world (or reality). It is how we see the world around us.

Perception occurs when sensory receptors receive stimuli and categorize them, assigning certain meaning to them, depending on the person's frame of reference. A person's frame of reference consists of all his previous held feelings, experiences, beliefs, likes and dislikes stored in his memory.

### **Impact of Perception on Consumer Behaviour**

The perceptions consumers have of a business and its products or service have a dramatic effect on buying behaviour. In marketing, the role of perception in consumer behaviour is all about recognizing how consumers view a company's product or service. A consumer's motivation for buying a particular product or service often comes down to image. People wish to be perceived as having the ability to make the "right" choices and pick the "right" products. Marketers use perception to target people's need to fit in and be part of a larger group of discerning consumers.

That's why businesses spend so much money marketing themselves, honing their customer service and doing whatever else they can to favorably influence the perceptions of target consumers. With careful planning and execution, a business can influence those perceptions and foster profitable consumer behaviour.

### **What is Learning?**

Learning is defined as "any relatively permanent change in behaviour that occurs as a result of practice and experience". This definition has three important elements.

- Learning is a change in behaviour—for better or worse - It is a change that takes place through practice or experience - This change in behaviour must be relatively permanent, and it must last a fairly long time.

All learning involves activities. These activities involve either physical or mental activities. They may be simple mental activities or complex, involving various sensory inputs, muscles, bones, etc. So also, the mental activities may be very simple involving one or two activities of mind or complex which involve higher mental activities.

Learning takes place either to conditioning of mind or through cognitive understanding. There are several theories and explanations to explain this. The same is covered ahead in the chapter.



## **Elements of Learning:**

**Drive/Motivation:** Learning frequently occurs in the presence of drive – any strong stimulus that impels action. Drives are basically of two types -primary (or physiological); and secondary (or psychological). These two categories of drives often interact with each other. Individuals operate under many drives at the same time. To predict a behaviour, it is necessary to establish which drives are stimulating the most.

**Cue:** Cue stimuli are those factors that exist in the environment as perceived by the individual. The idea is to discover the conditions under which stimulus will increase the probability of eliciting a specific response. There may be two types of stimuli with respect to their results in terms of response concerned: stimulus generalization and stimulus discrimination.

**Response:** The stimulus results in responses. Responses may be in the physical form or may be in terms of attitudes, familiarity, perception or other complex phenomena. In the above example, the supervisor discriminates between the worker producing low quality products and the worker producing high quality products, and positively responds only to the quality conscious worker.

**Reinforcement:** Reinforcement is a fundamental condition of learning. Without reinforcement, no measurable modification of behaviour takes place. Reinforcement may be defined as the environmental event's affecting the probability of occurrence of responses with which they are associated.

**Retention:** The stability of learned behaviour over time is defined as retention and its contrary is known as forgetting. Some of the learning is retained over a period of time while others may be forgotten.

## **Classical Conditioning Theory**

The Classical Conditioning Theory was proposed by a Russian Physiologist Ivan Pavlov. According to this theory, behaviour is learnt by a repetitive association between the response and the stimulus.

The classical conditioning theory assumes that learning is developed through the interactions with the environment. Also, the environment shapes the behaviour and internal mental state such as thoughts, feelings, emotions do not explain the human behaviour.

Here, an organism learns to transfer response from one stimulus to a previously neutral stimulus. Classical conditioning is comprised of four elements:

- Unconditioned Stimulus (US): Which invariably causes to react in a way. - Unconditioned Response (UR): Takes place when the US is presented. - Conditioned Stimulus (CS): The object that does not bring about the desired response - Conditioned Response (CR): a particular behaviour that an organism learns to produce, when the CS is presented.

Pavlov conducted an experiment on a dog and measured the amount of saliva secreted by a dog, with a use of a surgical procedure, when it is exposed to different stimulus or object. At first, when Pavlov presented a piece of meat (US) to the dog, he noticed a great amount of salivation

(UR) whereas, in the second time, when he just rang the bell, he observed there was no effect of a bell on the dog's salivation.

After this, Pavlov rang the bell accompanied with meat and noticed the salivation of a dog. He repeated this process several times, and finally, one day he just rang the bell without meat and observed that dog still salivated to the bell alone which was originally a neutral stimulus.

Thus, he found out, that the dog has become classically conditioned (CR) to the sound of the bell (CS). And every time he rings the bell the dog salivates.

### **Instrumental Conditioning/ Operant Conditioning Theory**

Instrumental or Operant conditioning is a learning process first described by B. F. Skinner. In instrumental conditioning, reinforcement or punishment are used to either increase or decrease the probability that a behaviour will occur again in the future.

Skinner identified two key aspects of the operant conditioning process. Reinforcement serves to increase the behaviour while punishment serves to decrease the behaviour.

There are also two different types of reinforcement and two different types of punishment. Positive reinforcement involves presenting a favorable outcome, such as giving a child a treat after she cleans her room. Negative reinforcement involves the removal of an unpleasant stimulus, like telling a child that if she eats all her potatoes then she won't have to eat her broccoli. Since the child considers broccoli an unpleasant consequence and eating the potatoes leads to the removal of this undesirable consequence, eating the potatoes is then negatively reinforced.

Positive punishment means applying an unpleasant event after a behaviour. Spanking, for example, is a common example of positive punishment. This type of punishment is often referred to as punishment by application. A negative consequence is directly applied to reduce the unwanted behaviour.

Negative punishment involves taking away something pleasant after a behaviour occurs. For example, if a child fails to clean her room, her parents might tell her that she cannot go to the mall with her friends. Taking away the desirable activity acts as a negative punisher on the preceding behaviour.

Example for this theory: If a student is rewarded with praise every time she raises her hand in class, she becomes more likely to raise her hand again in the future.

If she is also scolded when she speaks out of turn, she becomes less likely to interrupt the class. In these examples, the teacher is using reinforcement to strengthen the hand-raising behaviour and punishment to weaken the talking out of turn behaviour.

Instrumental conditioning is often used in animal training as well. For example, training a dog to shake hands would involve offering a reward every time the desired behaviour occurs.

## **Cognitive Theory:**

According to Edward Tolman, individuals not only respond to stimuli but also act on beliefs, thoughts, attitudes, feelings and strive towards goals.

In other words, an individual creates a cognitive map in his mind, i.e. an image of the external environment, preserves and organizes information gathered, as a result of the consequences of events encountered during the learning process. Thus, the individual learns about the event and objects on the basis of a meaning assigned to stimuli.

Cognitive learning theory emphasizes on the free will and positive aspects of human behaviour. Cognition refers to the individual's thoughts, feelings, ideas, knowledge and understanding about himself and the environment. Thus, an individual applies this cognition in learning which results in not merely the response to a stimulus, but the application of internal image of the external environment, so as to accomplish the goal.

Tolman has conducted an experiment to elucidate the cognitive learning theory. He trained a rat to turn right in the 'T' maze in order to obtain food. One day, he started a rat from the opposite part of the maze, according to the operant conditioning theory, the rat should have turned right due to the past conditioning, but instead, it turned towards where the food was kept. Thus, Tolman concluded that the rat formed a cognitive map in its mind to figure out where the food has been placed, and reinforcement was not a precondition for learning to take place.

## **Social Cognitive Theory:**

Social Cognitive Theory (SCT) started as the Social Learning Theory (SLT) in the 1960s by Albert Bandura. It developed into the SCT in 1986 and posits that learning occurs in a social context with a dynamic and reciprocal interaction of the person, environment, and behaviour. The unique feature of SCT is the emphasis on social influence and its emphasis on external and internal social reinforcement. SCT considers the unique way in which individuals acquire and maintain behaviour, while also considering the social environment in which individuals perform the behaviour. The theory considers a person's past experiences, which factor into whether behavioural action will occur. These past experiences influence reinforcements, expectations, and expectancies, all of which shape whether a person will engage in a specific behaviour and the reasons why a person engages in that behaviour.

## **BRAND LOYALTY**

Brand Loyalty is a scenario where the consumer fears purchasing and consuming product from another brand which he does not trust. It is measured through methods like word of mouth publicity, repetitive buying, price sensitivity, commitment, brand trust, customer satisfaction, etc. Brand loyalty is the extent to which a consumer constantly buys the same brand within a product category. The consumers remain loyal to a specific brand as long as it is available. They do not buy from other suppliers within the product category. Brand loyalty exists when the consumer feels that the brand consists of right product characteristics and quality at right price. Even if the other brands are available at cheaper price or superior quality, the brand loyal consumer will stick to his brand.

Brand loyal consumers are the foundation of an organization. Greater loyalty levels lead to less marketing expenditure because the brand loyal customers promote the brand positively. Also, it acts as a means of launching and introducing more products that are targeted at same customers at less expenditure. It also restrains new competitors in the market. Brand loyalty is a key component of brand equity.

Brand loyalty can be defined as relative possibility of customer shifting to another brand in case there is a change in product's features, price or quality

Brand loyalty is always developed post purchase. To develop brand loyalty, an organization should know their niche market, target them, support their product, ensure easy access of their product, provide customer satisfaction, bring constant innovation in their product and offer schemes on their product so as to ensure that customers repeatedly purchase the product.

### **Brand Loyalty Types :**

Hard core loyalty: Those who have undivided loyalty to a brand, and buy the same Product repeatedly. If A, B, C, D, E and F are the different brands of a particular product category in the Market. Then hard core loyalists can be stated as people who purchase.

Eg: A, A, A, A, A ( Mysore – Sandal Soap )

Split Loyals: These people shift between two or three brands which have the same or similar, attributes. They are also called divided loyalists

Eg: AB, AB, AB ( Mysore Sandal Soap and Santoor )

Shifting Loyals: These people shift from one brand to another slowly, They are also Called unstable loyalist.

Eg: AAA, BBB, CCC (Mysore Sandal Soap to Santoor to Rexona)

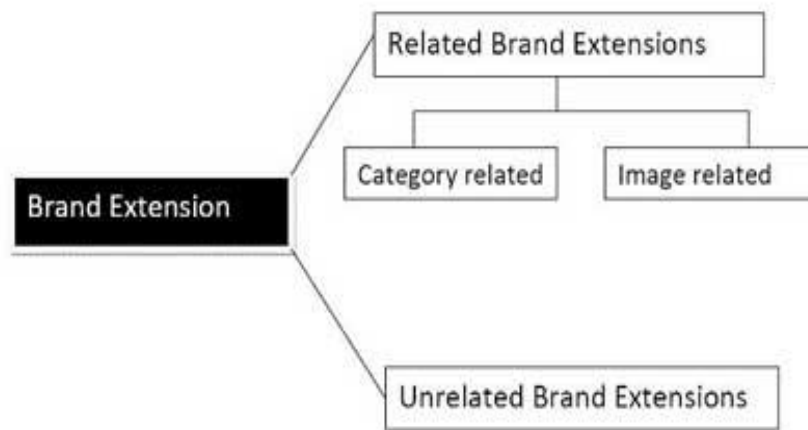
Switchers: Who are not loyal to any product, or no loyalty

Eg: A, B, C, D, E, F

### **Brand Extension:**

Brand Extension is nothing but launching a product in a different category under an already established brand name. It is extending the existing brand promise with diverse products or services.

### **Types of Brand Extensions:**



Related brand extensions can further be classified into two sub-types viz. category related brand extensions and image related brand extensions.

**Category Related:** When a brand is extended to a related product category meaning a category that has similar purpose to serve, it is called category related brand extension.

Eg: Lux has been known as a premium bathing soap. When it was launched as a body wash, it had a similar purpose to serve in a related product category.

**Image Related:** When a brand is extended into a new product category with an identity similar to that of the original brand so that it is perceived similarly by the target segment, it is called image related brand extensions.

Eg: Let's take the case of Lifebuoy. When Lifebuoy was launched as a hand wash, it was an example of image related brand extension. The original brand was a bathing soap with germ fighting abilities. The newly launched product (hand wash) was perceived as a germ fighter similar to the original brand but then it was a different product altogether having different set of functional attributes.

**Unrelated Brand Extension:** When a brand is extended such that it is neither category related nor image related, it is called unrelated brand extension.

Eg: Tata as a brand was primarily a manufacturer of steel. When the TATA brand name was extended to FMCG items like salt and tea, it was an example of unrelated brand extension. There was no similarity in product category or in image attributes.

**Vertical Brand Extension:** When a brand is extended up into more premium market segments or down into more value-conscious segments to attract new groups of consumers, it is called vertical brand extensions. The basic tenet of vertical brand extensions is that the equity of the parent brand gets transferred in either direction in order to appeal to those consumers who would otherwise have not considered the parent brand.

**Brand extensions offer certain distinct advantages:**

- Improvement in brand image

- Reduce perceived risk of customers
- Enhancement of probability of gaining distribution and trial
- Enhance efficiency of promotional expenditures
- Avoid costs of developing a new brand
- Allows for packaging and labeling efficiencies
- Permits variety seeking among consumers
- Clarifies the meaning attached with a brand
- Attracts new customer segments
- Revitalization of the parent brand
- Prepares a platform for subsequent extensions

**Some of the disadvantages are:**

- Confusing or frustrating consumers
- Encounter retailer resistance
- Negatively impact the image of the parent brand
- Cannibalize the existence of the parent brand
- Erase identification of a brand with a particular product category
- Dilute the overall meaning of the brand
- Cause the company to forego the chance of developing a new brand

**Attitudes**

**Definitions:**

- A predisposition or a tendency to respond positively or negatively towards a certain idea, object, person, or situation. Attitude influences an individual's choice of action, and responses to challenges, incentives, and rewards.
- Attitudes are 'learned' dispositions to respond to an object in a consistently favorable or unfavorable way

- Attitude (positive/negative, favorable/unfavorable) is how a person feels towards an object

#### Characteristics of Attitude:

- An abstract concept – object/person/activity/issue
- Has direction, intensity and degree – level of conviction in feelings
- Are learned concepts – personal experience/ media, etc.
- Have consistency – to some extent but not permanent
- Occur within a situation – corresponding attitudes for each situation

#### Formation of Attitudes:

Different people have different attitudes towards the same thing. There are various determinants of this attitude formation, some of which are mentioned below:

##### Personal Experiences:

Our personal interactions with others and experiences with things shape our attitudes towards certain things. We form positive attitude if we have a pleasant experience with it. Similarly, our bad experiences lead to the formation of negative attitude towards things.

##### Need Satisfaction & personal interest:

If a thing or idea fulfills our needs satisfactorily, we form a positive attitude towards it. On the other hand, an individual's personal interest or gains may also influence their attitude towards a thing. Example: Some shopkeepers may deliberately hoard (store secretly) some consumables to create its shortage in the market in order to raise its prices. These shopkeepers have a positive attitude towards hoarding because it increases their profits. At the same time, people who have to pay higher prices for buying those consumables have a negative attitude towards the same practice.

Community Attitudes/ Group Associations: People around us have a positive or negative attitude towards things. We interact with these community members and their attitudes also influence us to form an attitude towards those things accordingly.

##### Influence of Mass Media (as well as Social Media):

Media plays a significant role in attitude formation. Every day the sources of mass/social media communication bombard us with certain information which has an impact on the way we think about certain brands, products, industries as well as certain people/celebrities/communities/political parties. From information regarding newest technologies to robbery incidences in the locality, media provides us with information about almost everything. The tonality and context in which this information is shared, forms attitudes & sentiments among readers (us). Example: Our positive or negative attitude towards a certain political party is mostly an outcome of the media we consume.

**Culture:** Our cultural norms, values, traditions, beliefs and preferences also form our attitude towards a thing. Culturally approved practices tend to have a positive attitude towards certain things while culturally disapproved practices tend to have a negative impact on some things. Example: Attitudes towards certain fashion trends or food choices are an outcome of cultural differences among consumers.

**Stereotypes:** A stereotype is a wide-spread belief about a thing or a practice. It may be true or false judgement which is accepted by the majority of the people. There maybe a positive or negative attitude towards certain stereotypes around some products, gender, ethnic group, people or a person.

**Rational Analysis:** Attitude formation is mostly the outcome of rational analysis of things. We analyze things and weigh its pros and cons to make our choices. Observing things in our daily life in this way leads to formation of positive or negative attitudes towards things that come our way.

**Functions of Attitude:** The most important function of an attitude can only be ascertained by considering it in relation to the person who holds it and the environment in which they operate. Broadly there are four functions of attitude:

**Utilitarian Function:** This function directs people towards pleasurable or rewarding objects and away from unpleasant, undesirable ones. It helps maximize reward and minimize punishment. We develop favorable attitude towards things that aid or reward us.

**Ego-defensive Function:** This function refers to holding attitudes that protect our self- esteem or that justify actions that make us feel guilty. Example: A consumer who has made a poor investment will staunchly defend his decision by stating that he was correct at the time of investing or it was an outcome of a poor advice from someone. Such an attitude helps safeguard self-image.

**Value-expressive Function:** This function enables the expression of the person's centrally held values. Central values tend to establish our identity and give us social approval, thereby showing us who we are and what we stand for.

**Knowledge Function:** Some attitudes are useful because they help make the world more understandable. It allows people to organize a considerable amount of information to which they are exposed every day.

## **Understanding Attitudes**

Attitudes refer to our relatively enduring evaluations of people and things (Albarracín, Johnson, & Zanna, 2005). We each hold many thousands of attitudes, including those about family and friends, political parties and political figures, abortion rights, preferences for music, and much more. Some of our attitudes, including those about sports, roller coaster rides, and capital punishment, are heritable, which explains in part why we are similar to our parents on many dimensions (Olson, Vernon, Harris, & Jang, 2001). Other attitudes are learned through direct and indirect experiences with the attitude objects (De Houwer, Thomas, & Baeyens, 2001).



## The Four Functional Theories of Attitude

Functional theorists Katz (2008) and Smith, Bruner, & White (1956) addressed the issue of not knowing which base (affective, cognition or behavior) was most important by looking at how the person's attitude serves them psychologically. They came up with four different functions that an attitude might serve:

One of the most beneficial things an attitude can do for us is to make our lives more efficient. We do not have to evaluate and process each thing we come into contact with to know if it is good (safe) or bad (threatening; Petty, 1995). This is called the **knowledge function** and allows us to understand and make sense of the world. My attitude towards insects is somewhat negative. I tend to have large reactions to bites from them and although most do not bite, my immediate reaction is to avoid them if at all possible. In this way my attitude keeps me from having to evaluate every type of insect I come into contact with. Saving time and allowing me to think of other things in life (Bargh, et al., 1992). This example might have prompted you to think that this generalization could lead to discrimination and you would be correct. In an attempt to be more efficient, I am not stopping and processing every insect I come into contact with and some insects are good (safe). We will discuss how this helps explain prejudice and discrimination in a later module.

Our attitudes can serve an **ego-defensive function** which is to help us cover up things that we do not like about ourselves or help us to feel better about ourselves. You might think cheerleaders are stupid or superficial to protect yourself from feeling badly that you aren't a cheerleader. Here you defended against a threatening truth – you aren't a cheerleader which you want to be and boosted your self-image by believing that you are better than them – you are smart and complex.

We can categorize some of our attitudes as serving as tools that lead us to greater rewards or help us to avoid punishments. So, individuals might have developed an attitude that having sex with many partners is bad. This has both a **knowledge function** and a **utilitarian function** by helping people avoid the societal punishment of being called promiscuous and then seeking the reward of being the kind of person that someone would take home and introduce to their parents.

The final function centers around the idea that some of our attitudes help us express who we are to other people, **value-expressive function**. We see this a lot on social media. If you were to examine someone's Facebook or Instagram page you would see that their posts are full of their attitudes about life and they intentionally post certain things so that people will know who they are as a person. You might post a lot of political things and people might see you as a politically engaged person, you might post a lot about the environment and people see that you are passionate about this topic. This is who you are.

## MEASUREMENT OF ATTITUDE:

Measurement in its broadest sense is the assignment of numerals, to objects or events. The methods are classified in to four types:-

### 1. Self report

2. Indirect tests
3. Direct observation technique
4. Psychological Reaction Techniques.

**1. Self Report:** This technique usually elicits response from employee through questionnaires dealing with their feelings about their work and related matters. This report is carried out through the use of attitude surveys. Attitude

E.g.: -Attitude scaling might be dislike statement. My job makes the best use of my abilities.

Strongly Agree	5
Agree	4
Undecided	3
Disagree	2
Strongly disagree -	1

**2. Indirect tests:-** These tests may not be brought directly to the employees notice. But the test will be fixed and employees' performance would be evaluated without his conscience. Indirect test may be also conducted where the employee will answer to questions which may seem to be very simple in answering but these answers when evaluated will help the employee to know his attitude.

**3. Direct observation technique:-** It is very simple where the employee will be directly observed on his work and his attitude will be known.

**4. Psychological Reaction Techniques:-** Employees psychological reaction towards work and work environment will be judged and their attitudes will be observed to understand his/her attitude towards job aspects.

### Strategies of Attitude Change

A tendency to respond positively or negatively towards a certain idea, object, person or situation is called Attitude. Our attitudes are formed by the influence of the personal experience, social media, and even from the environment. Therefore, the key strategy for the marketers is to alter the attitudes of the consumers. The aim of the marketers is to create a positive attitude in consumer minds to attract the product comparison to competitor's. Generally, it is very difficult to change the attitude of the consumers when they suspect that the marketer has a self-serving agenda in bringing about this change (Litvin & MacLaurin 2001). There are five attitude change strategies by Shiffman et al (2014).

#### 1) Changing The Basic Motivational Function

By making a particular needs prominent, we can change the consumer attitudes towards a product or a brand. One method that we can use to change the motivation of the consumer is

called functional approach. They are classified into four functions: (i) Utilitarian Function, (ii) Ego-defensive function (iii) Value expressive function and (iv) Knowledge Function

For example, Value Expressive Function; Attitudes can be expressed when the consumer reflect a product or service based on their self concept or central values. It gives consumers to gain positive feelings about themselves through expressing their self image of who they are. If the consumer likes wearing active wear like sports wear it shows her identity that he/she enjoys being active and sporty. Marketers can approach by targeting the consumer's attitude on their outlook, lifestyle and self-image by reflecting these characteristics while advertising and marketing.

## **2) Associating the product with an admired group or event**

Attitudes of consumers towards the particular brands and services can possibly be changed by consolidating with social groups or events. For example, recently Mc Donald's made a biggest fast food collaboration with cartoon Despicable Me 3. Mc Donald's added a new menu with minions influenced items in order to help promote Despicable Me 3. The research shows that it is indicated a good idea to expose the consumers the reason of their sponsorship in order to avoid negative motives.

## **3) Resolving two conflict attitudes**

Sometimes, attitude change strategies can determine actual and possible conflict between two attitudes. If the consumers were made to have a negative impact on the product or a specific brand, but if they do not have any conflict, this made the consumers to alter their judgement of the product. For example, disposing nappies can be made for the environment but as it is made with organic cotton, it helps with the environment sustainability.

## **4) Altering components of the multi-attribute model**

Multi attribute is a strategy to change the attitude of the consumer by altering the evaluation of products, changing the perception about the brand and remodeling the over-all brand rating by adding an attribute to a product. It changed the negative aspect that the consumers have towards the product or brand by reinforcing their persisting beliefs. It is done by adding an attribute that has been ignored by reflecting its actual product innovation. Therefore it changed the rating of the brand. Eg- Guinness beer

## **5) Changing the consumer beliefs about competitors brands**

It is the strategy of changing consumer's beliefs by comparing with the competitors brands. For e.g.- Nike Vs Adidas

## **Cognitive Dissonance**

Social psychologists have documented that feeling good about ourselves and maintaining positive self-esteem is a powerful motivator of human behavior (Tavris & Aronson, 2008). Often, our behavior, attitudes, and beliefs are affected when we experience a threat to our self-esteem or positive self-image. Psychologist Leon Festinger (1957) defined cognitive

dissonance as psychological discomfort arising from holding two or more inconsistent attitudes, behaviors, or cognitions (thoughts, beliefs, or opinions). Festinger's theory of cognitive dissonance states that when we experience a conflict in our behaviors, attitudes, or beliefs that runs counter to our positive self-perceptions, we experience psychological discomfort (dissonance). For example, if you believe smoking is bad for your health but you continue to smoke, you experience conflict between your belief and behavior.

When we experience cognitive dissonance, we are motivated to decrease it because it is psychologically, physically, and mentally uncomfortable. We can reduce cognitive dissonance by bringing our cognitions, attitudes, and behaviors in line—that is, making them harmonious. This can be done in different ways, such as:

changing our discrepant behavior (e.g., stop smoking),

changing our cognitions through rationalization or denial (e.g., telling ourselves that health risks can be reduced by smoking filtered cigarettes),

adding a new cognition (e.g., “Smoking suppresses my appetite so I don’t become overweight, which is good for my health.”).

## **PERSUASION - NEED AND IMPORTANCE**

### **Introduction**

Persuasion is an art of influencing the mind of the listener and hence it should be done with great care. Persuasion may therefore be defined as “an effort to influence the attitudes, feelings or beliefs of others or to influence action based on those attitudes, feeling or beliefs.”

Persuasion is a communicative skill. It enables a persuader to present his point of view from the receiver's point of view and induce the receiver to act accordingly. Persuasion is very useful in internal management within an organization.

Persuasion as a skill requires.

- Knowledge about the receiver.
- Intellectual appeals to arouse the receiver's interest.
- Presentation of one's interests from the receiver's point of view.

Persuasion marketing applies what we know about human psychology to develop techniques to market products or services. In this case, it specifically applies to the promotional aspect of the marketing mix, and builds on a customer's impulsive behavior to lead them to purchase.

Persuasion is part of every aspect of our lives. Politicians want our vote, businesses want us to buy their products, and people want us to like them. Even altruistic nonprofits want us to change our behaviors around environmental issues and public safety, or give them our money to help fight the hunger and disease. This reality is not different for websites and other digital properties.

Persuasion is a necessary component of good design, ensuring that users will engage with your product in the way you intended, leading to the outcome you intended. Understanding persuasion

will highlight the importance of developing strong messages and help you better incorporate and refine effective persuasive techniques into your design, and allow you to explain to others (potential clients, peers) how and why your design is effective at persuading users.

Persuasion has a bad reputation, the word itself often evokes thoughts of being swindled or pressured to do something we really don't want to do. But persuasion isn't inherently negative it's just a process of influence, for better or worse. **Here are five ways of understanding persuasion:**

1. **Persuasion is Communication :** At its core, persuasion needs a strong, clear message sent from one party to another.
2. **Persuasion is an attempt to influence :** Understanding your audience and what makes them tick makes your attempt more likely to succeed. Though the outcome is never guaranteed.
3. **Persuasion involves more than words:** Aesthetics, interactions, ease of use, and other factors can make a website or application more persuasive to potential users.
4. **Persuasion is not Coercion:** It is up to individuals to form or change their own attitudes. Utilizing dark patterns or purposely tricking a user into doing something they wouldn't otherwise do is not persuasion. It's being a moron.
5. **Persuasion can reinforce attitudes:** Your audience has opinions that need to be strengthened from time to time. If you don't preach to the choir, someone else will, and eventually your faithful followers will be led astray.

## **Theories of Persuasion**

### **Elaboration Likelihood Method**

Richard E. Petty and John T. Cacioppo made a theory based on the concept of persuasion in 1980 known as Elaboration Likelihood Model of Persuasion. This model is based on the idea that persuasion level of a message can affect the desired effect of the message. A persuasive message will most likely change the attitude of the message recipient. Attitude change occurs even when the intention of message sending is not to change the attitude of the recipient.

This theory divides the people into four groups

- Gullible people who are easily influenced - Skeptic, opinionated and argumentative people who cannot be easily influenced - People with firm beliefs but with bad communication skills - People who are leaders, who trust others as well as make others follow their thinking and ideas
- Two Routes of Persuasion: Attitude change occurs in two ways according to the scholars who proposed the model. They are known as the two routes of persuasion. The two routes apply to and differ according to all the groups of people mentioned above. The two routes show that messages take one of the two routes during the process of sending and receiving messages.
- Central Route Persuasion: Central route of persuasion tells that if a person gets to think

about a message received for a longer duration of time, then the person has a greater chance of being persuaded. The process of thinking for a longer duration is known as elaboration. For this, people need motivation. If the persuasion level of the message is strong, he/she gets persuaded to change their attitude or behaviour. There are certain features that message must have to be central route persuasive. They are:

- **Peripheral Route Persuasion:** If a message given by a person does not elaborate on the meaning of the message, the message can still be persuasive even if the content is not persuasive enough. It can be due to direct relationship of the person with the content, familiarity with the topic, positive attitude towards the sender, positive thoughts (sex, money), etc. This kind of persuasion or attitude change might not last for a long time. This also happens if the recipient is unable to process the message or if the content is weak.

**The factors that determine the selection of either of the above routes mentioned:**

- **Persuasive communication:** It has to be one-sided and not neutral. There must be some benefits to any of the people involved, either sender or receiver. For example, an advertisement.
- **Motivation to process:** Relevant messages or deep relation with the topic of the message motivate people to change their attitude, which is also known as high involvement. They must really be gripped by the information and interested in it.
- **Ability to process:** When there are distractions, complications and noise, people do not process the information they get. They might be hearing but not listening. This might cripple the persuasive power of the message.
- **Nature of arguments:** If the message is strong, well-constructed, convincing or creative, people will get the message better and change their attitude accordingly. This makes the recipient adopt the attitude changes.



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**UNIT – IV**

**CONSUMER BEHAVIOR - SBAA7009**

## UNIT – IV

## MARKETING COMMUNICATION

Strategic marketing applications – Market segmentation strategies – Positioning strategies for existing and new products, Re-positioning, Perceptual Mapping – Marketing Communication Communications strategy, Target Audience, Media Strategy, Message strategies, Message Structure and presentation

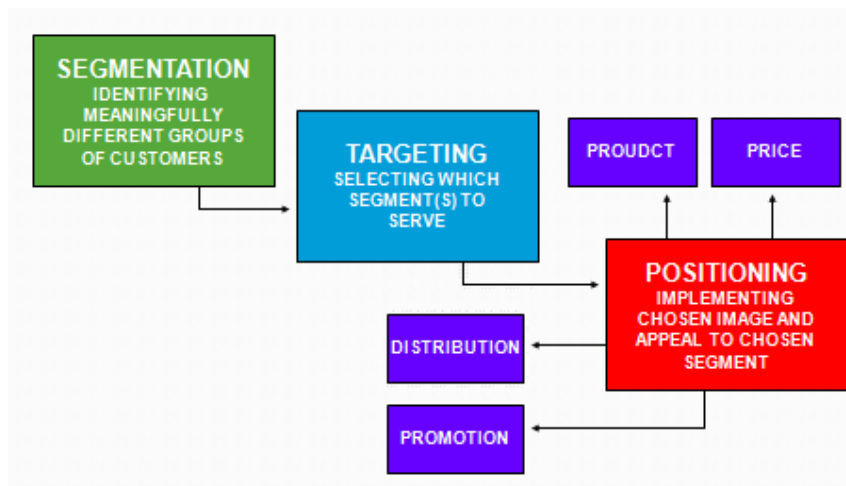
Segmentation is important in consumer analysis because understanding the consumer will allow us segment the market more meaningfully. Segmentation basically involves dividing consumers into groups such that members of a group (1) are as similar as possible to members of that same group but (2) differ as much as possible from members other segments.

In order for a segment structure to be useful:

- i. Each segment must have an identity, i.e., it must contain members that can be described in some way (e.g., price sensitive) that behave differently from another segment.
- ii. Each segment must engage in systematic behaviors (e.g., a price sensitive segment should consistently prefer the low price item rather than randomly switching between high and low priced brands).
- iii. Each segment must offer marketing mix efficiency potential, i.e., it must be profitable to serve. For example, a large segment may be profitable even though the competition it attracts tends to keep prices down.

### Segmentation, Targeting, and Positioning

Segmentation, targeting, and positioning together comprise a three stage process. We first (1) determine which kinds of customers exist, then (2) select which ones we are best off trying to serve and, finally, (3) implement our segmentation by optimizing our products/services for that segment and communicating that we have made the choice to distinguish ourselves that way.





Segmentation involves finding out what kinds of consumers with different needs exist. In the auto market, for example, some consumers demand speed and performance, while others are much more concerned about roominess and safety. In general, it holds true that “You can’t be all things to all people,” and experience has demonstrated that firms that specialize in meeting the needs of one group of consumers over another tend to be more profitable.

Generically, there are three approaches to marketing. In the undifferentiated strategy, all consumers are treated as the same, with firms not making any specific efforts to satisfy particular groups. This may work when the product is a standard one where one competitor really can’t offer much that another one can’t. Usually, this is the case only for commodities. In the concentrated strategy, one firm chooses to focus on one of several segments that exist while leaving other segments to competitors. For example, Southwest Airlines focuses on price sensitive consumers who will forego meals and assigned seating for low prices. In contrast, most airlines follow the differentiated strategy: They offer high priced tickets to those who are inflexible in that they cannot tell in advance when they need to fly and find it impractical to stay over a Saturday. These travelers—usually business travelers—pay high fares but can only fill the planes up partially. The same airlines then sell some of the remaining seats to more price sensitive customers who can buy two weeks in advance and stay over.

Note that segmentation calls for some tough choices. There may be a large number of variables that can be used to differentiate consumers of a given product category; yet, in practice, it becomes impossibly cumbersome to work with more than a few at a time. Thus, we need to determine which variables will be most useful in distinguishing different groups of consumers. We might thus decide, for example, that the variables that are most relevant in separating different kinds of soft drink consumers are (1) preference for taste vs. low calories, (2) preference for Cola vs. non-cola taste, (3) price sensitivity—willingness to pay for brand names; and (4) heavy vs. light consumers. We now put these variables together to arrive at various combinations.

Several different kinds of variables can be used for segmentation.

### **Market segmentation strategies:**

One of the most frequently applied marketing strategies today is that of customer segmentation, targeting and positioning (STP). Segmentation strategies help marketers define and understand specific buyer populations and leverage that insight to deliver more relevant offers.

This is not a new phenomenon. Traditional marketing techniques also involved separating and targeting consumers by general characteristics like age and sex. What has changed with the advent of the digital age is that both the stakes and the possibilities have been raised and the gold standard is now a segment of one.

For many companies the investment in technology, tools, and human capital may not be available to get to the segment of one. But that doesn't mean more sophisticated segmentation strategies are entirely out of reach. There are a variety of segmentation strategies we can employ to engage customers in the more appropriate and effective way —

**1. Demographic Segmentation.** Demographic segmentation models group customers by certain key population markers such as age, sex, socio-economic class, income, family size, occupation, and ethnicity. Marketers were employing simple grouping principles, long before big data came into the picture, by intuitively noting which populations (male/female, urban/suburban, high/low income) were most likely to buy their product and targeting their message accordingly. Today's demographic segmentation models can offer a more accurate and specific picture of a buyer population, informed by customer data rather than observation and speculation.

**2. Geographic Segmentation.** This is also one of the simplest and widely-used segmentation strategies. Geographic segmentation models provide insight into where a given brand's customers are located and specific location driven behaviors or preferences.

**3. Psychographic Segmentation.** While psychographic segmentation strategies aren't new, they're exponentially more informed and accurate in the digital age. Psychographic segmentation divides our customers into different segments by their specific personality traits, values, attitudes, and interests — and understanding how those characteristics affect a customer's lifestyle and buying choices.

An example of psychographic segmentation would be a car company that markets the same model to different segments based on their value of luxury versus practicality and their level of eco-consciousness. For example, the company would market to the luxury-valuing segment by emphasizing luxury features and market to the practical, environmentally-conscious segment by highlighting corresponding features like gas mileage, storage space, and eco-conscious design — essentially ensuring that the product offer resonates with both audiences.

**4. Behavioral Segmentation.** This segmentation strategy groups people by the specific behavioral patterns they display when making purchasing decisions. Because customer behavior is such a nuanced topic, there are many possible approaches. Product-specific behavioral segmentation strategies often focus on customers' expectations for, attitude towards, and response to, a given product. More general behavioral segmentation strategies group customers based on their buying and product-using patterns, identifying how different customer segments prefer to spend their money and time. This strategy not only helps target specific groups that are a good fit for an existing product. It also helps identify product gaps making it a favorite of consumer goods corporations that produce a variety of products spanning a variety of product categories.

## **POSITIONING:**

Positioning is one of the fundamental elements of marketing, both for consumer products and B2B (Business to Business). Positioning is a brand's unique way of providing value to its customers. Where does a brand sit in the hearts and minds of customers? These associations that consumers hold with a brand reflect their positioning.

“A position that takes into consideration not only a company's own strengths and weaknesses, but those of its competitors as well.” (Ries & Trout, 2001)

Firms use positioning to create an image of a brand's product or service in the mind of a target customer. Positioning defines how the brand's offering is unique, how it provides a distinct benefit to customers. Businesses use marketing to communicate their market position to customers and influence their perception of the brand's products or services. Marketing establishes the brand identity, influencing consumer perceptions of its position in the market relative to the alternatives available from competitors.

“Positioning is not what you do to a product. Positioning is what you do to the mind of the prospect. That is, you position the product in the mind of the prospect.” (Ries & Trout, 2001)

Before determining its position in the market, a firm should decide on a segment of the market that they want to target. This segment of the market should be profitable—either there are many customers, or it is a niche in the market that presents an opportunity due to a lack of competition. This is where positioning comes in. A business must decide how to make their brand as attractive as possible to this group of customers they want to target. This target market defined by demographics such as gender, location and age as well as criteria based on their consumer behaviour.

**Unique Selling Proposition:** Effectively positioning a product or service gives it a USP (Unique selling proposition). A USP is an attractive feature or characteristic of a brand that differentiates it from similar alternatives. In a modern marketplace cluttered with so many choices with similar benefits, you want your brand to stand out from the rest. It becomes more memorable and can have a competitive advantage over alternatives. Your USP is your unique benefit to entice customers to purchase your brand over another. Brands must communicate This USP with their target audience. This is where positioning comes in.

McDonald's is a notable example of using a USP to help position their brand. They are the world's most widely known fast-food brand and compete with hundreds of other fast food outlets. They do not try and position themselves as the fastest, cheapest or best tasting. Instead, their USP is that they are a family-friendly restaurant. The children's menu items, the free toy with a kid's meal, the playgrounds. They position themselves to target families.

## **Determining a Positioning Strategy:**

A successful positioning strategy relies on a deep understanding of the marketplace you want to compete in. It identifies how your company is different from the competitors and the conditions and opportunities in the marketplace. A big mistake that many businesses make is assuming that positioning is just a marketing strategy. It should be one of the foundations of the business strategy. After all, you cannot position a product as a high-quality offering in your marketing if the product itself cannot back up those claims.

Customers can recognise a clear positioning strategy—they understand whether a brand is competing on price or quality. Positioning must be a cohesive effort between the business strategy and sales and marketing tactics. It is far more than just a communication strategy. This is the only way the product or service will deliver on customer expectation and the promises of its positioning. Organisations must clearly define their positioning across the value chain, otherwise, communication loses focus and can become confusing.

**There are five main strategies upon which businesses can base their positioning.**

**1. Positioning based on product characteristics :**Using product characteristics or benefits as a positioning strategy associates your brand with a certain characteristic that is beneficial to customers. For example, in the automobile industry, Toyota's position in the market is reliability, Porsche's position is performance and Volvo's position is safety. Brands consistently communicate the most unique benefit or characteristic of the product with consumers.

**2. Positioning based on price :** Positioning your products or services based on price is associating your brand with competitive pricing. Usually, with pricing positioning strategy, a brand aims to be the cheapest or one of the cheapest in the market, and value becomes their position. For example, Supermarket chains often have a house brand with very low-price products in many product categories. Their lower logistical and distribution costs allow them to price their products lower than the competitors, so price-sensitive buyers will often purchase them without knowing the price because they know it is often the cheapest option.

Brands can also position based on price if they find a gap in the market at a certain price point. Being the only option in a certain price range becomes your market position. Often brands extend their product lines to fill a gap in the market.

**3. Positioning based on quality or luxury :** Often the price and quality of a product align, certainly in the mind of the consumer, as the high price is often associated with high quality. But positioning a product based on its high quality or 'luxury' is different from positioning based on price. Often these brands do not communicate their price point, but instead high quality or

prestige is the focal point of communication, to create a desire so customers want the product regardless of the price.

Note that luxury does not always mean better quality, but customers still believe it is better because of the reputation of the brand due to their long-term brand positioning strategies. For example, a \$200,000 Rolls Royce car, the epitome of luxury, is likely to have a lower build quality than a \$30,000 Hyundai.

**4. Positioning based on product use or application :** Associating your product with a particular use is another way to position your brand in the market. For example, meal replacement supplements can be of use to anyone lacking time or wanting a quick convenient meal. There are also meal replacements designed specifically for people who want performance in the gym, so high in calories and added vitamins and minerals. Other meal replacements are for people on a diet, so they are low in calories and would not provide much energy for somebody's workout. Often the former meal replacement target males and the diet low-calorie option target females. Both are meal replacements, but different positioning.

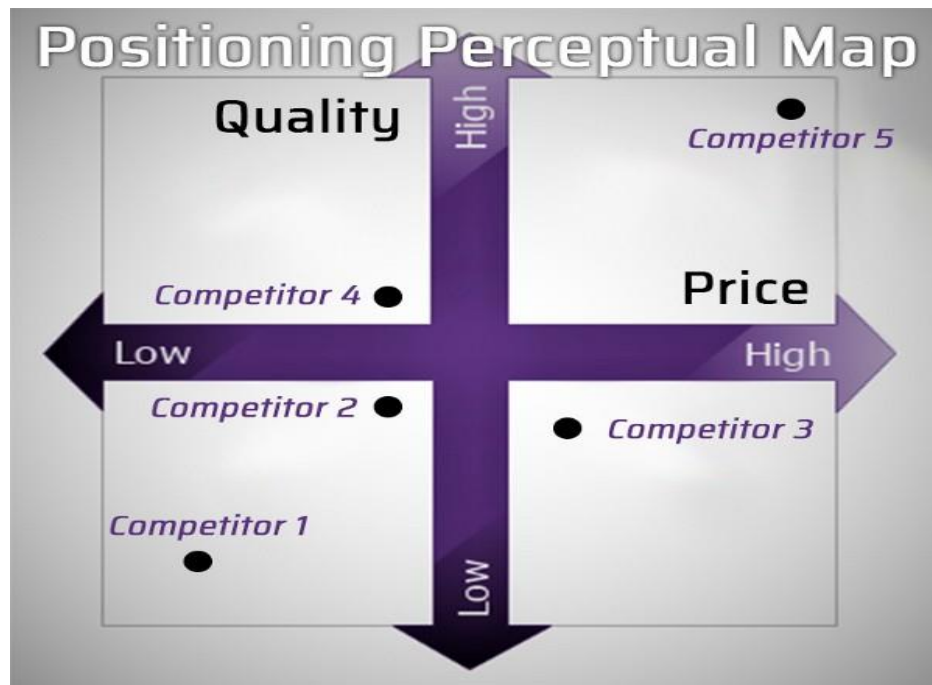
**5. Positioning based on competition :** Competitor based positioning focuses on using the competition as a reference point for differentiation. Brands highlight a key difference their product/service offers in their marketing to make it seem favourable and unique compared to other options in the marketplace. The product or services becomes unique. Brands can also use the competition as a reference point to follow a similar strategy. If a particular brand has a large market share, their positioning strategy must be attractive to a large group of customers, so you try and convert some of their customers by offering a similar product with similar benefits at the same price point.

### **Positioning Perceptual Maps**

Businesses can create a perceptual map of the positioning of the dominant brands in a marketplace to identify any gaps and opportunities in that market. The positioning map compares brands competing in a marketplace by illustrating consumer perceptions of those brands by using two key variables.

For example, businesses can apply price and quality for most markets; but the map should focus on the primary consumer needs or product benefits you want to understand, which will vary depending on the market. See below for an example of a positioning map.

In conclusion, your positioning in the market determines where your brand sits relative to competitors. It is important for brands to have a point of difference and to emphasise it in their marketing.



### Communication Strategy:

A communications strategy is a business tool. It helps an organization align their business goals with a marketing plan that focuses on reaching a set of predetermined results. Goals are the focus that make you successful—whatever your goals may be: more clients, more members, breaking into new markets, broaden audience scope, higher profit etc. A communications strategy is your playbook to reach those goals.

It's important to note that a communications strategy is a 'living document' that should be reviewed periodically (monthly, quarterly, semi-annually or annually — depending on the size of the business and the activities) to see what worked, what didn't, what you should do more of, or less of. It may need to be reviewed more often depending on circumstances — i.e. huge crash in the market, a new product that shadows yours, regulations underpinning your value.

### Media Strategy:

Every work to be done needs a plan of action so that the work is done in a desired and correct manner. Media Strategy plays a very important role in Advertising. The role of Media Strategy is to find out the right path to transfer or say deliver the message to the targeted customers.

How many people see or hear or read all the advertisements or promotional offers and buy the product or service? The basic intention of media strategy is not only procuring customers for their product but also placing a right message to the right people on the right time and of course

that message should be persuasive and relevant. So, here the planners of the organization decide the Media Strategy to be used but keeping the budget always in mind.

The Media Strategy process has three “W”s to be decided. They are

- **Where to advertise ?**
- **When to advertise ?**
- **What media type to use ?**

**Where is the place for showing or delivering advertisement.** In short it means the geographical area from where it should be visible to the customers who use or are most likely to use the product or services offered. The place does not mean only TV or radio but it can also be newspapers, blogs, sponsorships, hoardings on roads, ads in the movie break in theatres, etc. The area varies from place to place like it can be on national basis, state basis and for local brands it can be on city basis.

**When is the timing to show or run advertisement.** For e.g. you cannot show a raincoat ad in the winter season but you need to telecast ad as soon as the summer season is coming to an end and rainy season is just about to begin. The ad should be delivered with perfect timing when most customers are like to buy the product. The planners need to plan it keeping the budget in mind as the maximum of 20% of revenues of the company can be used in the advertisement section. Different products have different time length for advertisements. Some products need year long ads as they have nothing to do with seasonal variations e.g. small things like biscuits, soaps, pens, etc and big services like vehicle insurance, refrigerators, etc. Some products need for three or four months. E.g. umbrellas, cold creams, etc. So the planners have to plan the budget according to the time length so that there is no short of money at any time in this process.

**What is what type of media is to be used for delivering the message.**

There are basically two media approaches to choose from.

- Media Concentration approach
- Media Dispersion Approach

In media concentration approach, the number of categories of media is less. The money is spent on concentrating on only few media types say two or three. This approach is generally used for those companies who are not very confident and have to share the place with the other competitors. They don't want anyone to get confused with their brand name so this is the safest approach as the message reaches the target consumers.

In media dispersion approach, there are more number of categories of media used to advertise. This approach is considered and practiced by only those people who know that a single or two types of media will not reach their target. They place their product ads in many categories like TV, radio, internet, distributing pamphlets, sending messages to mobiles, etc.

**Selection of Media Category :** Whichever category is selected by the planners of the organization, they should select a proper media to convey their message.

If the product is for a big amount of customers then a mass media option can be selected like TV, radio or newspaper. The best examples for this type are detergent ads, children health drinks and major regular used products such as soap, shampoo, toothpastes etc.

If the planners want to change the mind of people doing window shopping or just doing shopping for sake of name, then point of purchase type can be opted by the company. This helps the company to explain their point to the buyers and convince the buyers to go for their product.

If the planners want to sell their product on one to one basis, then the third option is direct response type. Here, the company people directly contact the customers via emails, text messages, phone calls or meeting for giving demos. The best example of this type of media is the Life cell Cord Blood Banking. They go to their customers, explain them what it is all about and try to convince them.

Thus, this process of media strategy plays an important and vital role in the field of Advertising.

### **Components of a Persuasive Message:**

The message is what the marketing communicator tries to communicate to the consumers to attract his attention and interest, around desire and elicit action in the form of purchase. The message should be developed in a way that it has the ability to integrate a common theme from the awareness stage to the stage of purchase and satisfaction. The formulation of a message involves content (what to say), structure & order (how to put forth the message), code (how to say it symbolically) and appeal (the central objective – emotional trigger or rational reasoning). Following are some core components of a Persuasive message that can lead to effective communication with the consumers:

#### **- Message Structure:**

- **One Sided:** - A message that presents only those arguments in favor of a particular position - Such a message does not mention negative qualities, problems, or counterarguments on a given subject/ product - Usually works favorably for an audience who is already in favor of the message sender's subject - Most mass media advertising messages are one-sided - Example: A religious fund-raising message is usually one-sided on the assumption that the targeted audience is favorably disposed toward the view being explained and is unlikely to be receptive to other religious beliefs.
- **Two Sided:** - A message that that presents the arguments in favor of a proposition but also considers the opposing arguments - While crafting such a message, marketers will show that they favor a certain position, they will also acknowledge the competitor or opposing viewpoint - Usually such a message begins with by showcasing points in favor about the issue in which marketers hope to persuade the consumer, however, later they will discuss opposing viewpoints



or counterarguments - This is usually followed by a refutation of said opposing viewpoints or counterarguments

### **- Message Order:**

- Climax order: In such a message, the advertiser or marketer saves or conveys the most important part at the end of the message. In most cases, such a message order is effective for audience that is on the lookout for that particular product/offering. The message then simply validates and emphasizes on the unique selling point.
- Anticlimax order: In such a message, the marketer puts the best or most important information right at the start. This message order often appeals to the consumer who is not necessarily interested in the product but the campaign manages to attract or trigger learning/memory towards potential future purchase.
- Pyramidal order: One of the lesser effective orders, pyramidal is when a marketer sandwiches the best material in the middle of the conversation or spreads it across the message without a flow. Such a message is likely to get strong recognition or recollection.

### **- Message Code:**

- Verbal: According to Bovee and others: “Verbal communication is the expression of information through language which is composed of words and grammar”. When messages or information is exchanged or communicated through words is called verbal communication. Verbal communication may be two types: written and oral communication. Verbal communication takes place through face-to-face conversations, group discussions, counseling, interview, radio, television, calls, memos, letters, reports, notes, email etc.
- Non-Verbal: According to Lesikar and Pettit, “Nonverbal communication means all communication that occurs without words (body movements, space, time, touch, voice patterns, color, layout, design of surroundings.)”. Non-verbal communication is a powerful arsenal in the face-to-face communication encounters, expressed consciously in the presence of others and perceived either consciously or unconsciously.
- Paralinguistic: This type of message code goes beyond the basic verbal message or speech. It is also known as vocalics. Paralanguage includes accent, pitch, volume, speech rate, modulation, and fluency. In simple terms it is the use of vocals and vocalization. Some researchers also include certain non-vocal phenomena under the heading of paralanguage including facial expressions, eye movements, hand gestures, and the like.

## **- Message Appeal:**

At a psychological level, what is it exactly that makes you choose one brand over the competitor? What might seem like a simple choice really has more to do with methods of persuasion used by advertisers to make consumers feel a certain way about a product. In advertising, there are a wide variety of ways to catch the attention of your audience. These appeals can be broken down into emotional and rational approaches. It is up to the marketer to identify and know which type of appeal will be most effective in leading the target audience to action (purchase).

## **Types of Appeals**

**Emotional Appeals:** Appealing to the audience's emotions can be achieved through strong imagery, impactful text or powerful music. An emotional advertising appeal depends more on feelings and perceptions than logic or reason to provoke action.

**- Fear Appeal:** A fear appeal in advertising is a message that is designed to scare the intended audience by describing a serious threat to them. The advertising tactic is to motivate the intended audience to engage or not engage in certain behaviour based upon a fear. Ads on global warming are most often crafted using the fear appeal. Advertisers use fear appeals to promote an immediate behaviour change such as eating healthier or not smoking. Another fear tactic involves isolation. People will purchase a product to avoid isolation from others because of bad hygiene. Deodorant and toothpaste ads often employ this tactic. Government agencies appeal to an individual's fear of death or incarceration to prevent drinking and driving. Fear appeals work when the recommended action is specific, effective and plausible. For example, ads geared toward smokers can be ineffective if the person does not believe quitting is within reach.

**- Humor Appeal:** Humor appeals make consumers laugh and create an emotional link with the product. A well-executed humor appeal enhances recollection, evaluation and the intent to purchase the product. Advertisers link the product with the humor. For example, a humorous insurance ad hits the mark when the humor shows the consumer why having insurance is beneficial. Using humor at the expense of one group may lead to resentment. Senior citizens may resent a product that portrays them as grumpy, while women may refuse to purchase a product that portrays them as overbearing. Humorous ads work best with established and commonly purchased products such as cellphones, fast food and alcoholic beverages. While this appeal is highly effective, there are instances when marketers avoid using humor appeal as they do not wish their product to be ridiculed. Hence, the larger your target audience, the more broadly you want your humor to appeal and the narrower your audience, the more niche kind of humor and inside jokes you can pull off.

- **Sex Appeal:** The sex appeal lures audiences by appealing to their sexual desires and fantasies. Advertisers use this approach because it is an easy and proven method for attracting attention quickly. While the sex appeal has been widely proven successful across a variety of industries in terms of attracting attention, it's not always the best method to apply. As an advertiser, you must always be conscious of the personal tastes, limits, and boundaries of what your target audience will find appealing and tasteful. Advertisers need to find an optimum balance between using sex appeal and not.

- **Prestige/Status Appeal:** There is no question that these nice, patent-leather work shoes were chosen for a reason: status. The point of this ad was to get the viewer to identify the product with a certain class. While the manufacturer is actually selling a car, classy shoes (clearly abused by a love for the acceleration pedal) give a status appeal that is somewhat subliminal in its messaging. Apartments, furniture stores, fashion brands and many other companies also lean on a level of status to appeal to consumers concerned about where they are at, how they are viewed, and where they are headed.

**Rational Appeal:** It is technique of designing advertising to appeal audience by using logical arguments stating how it will satisfy customer's practical needs. Rational appeal is based on appealing price point and highlighting benefits of the products for the customers. The reasonable, functional and practical aspect of the product or service is highlighted in rational appeal advertisements. Generally small businesses use this kind of advertising method to fend off competition.

The Rational Appeal is especially effective when the product, service, or idea contains many features that will appeal to someone's sense of reason. For example, if you are advertising a vehicle that you know has technical features that will appeal to your audience (maybe enhanced sound system, better gas mileage, higher safety rating, and so forth), you can use the rational appeal to make your audience nod their head and say, "yep, that makes total sense. I want that."

- **Price or Value Appeal:** Such an appeal makes the price offer the dominant point of the message. Price appeal advertising is used most often by retailers to announce sales, special offers, or low everyday prices. Price appeal ads are often used by national advertisers during recessionary times. Low value FMCG (Fast Moving Consumer Goods) brands often use the price appeal to attract their target audience.

**Messaging Strategy:** A messaging strategy is the key to successfully marketing your business. It's how you position yourself, it's your communication methods, and it influences every bit of

text connected to your business, from in-store signage and advertising to customer support emails and web copy.

Your messaging strategy helps you build brand awareness and informs your customers about who you are as a business—and it just might be a deciding factor in whether or not they choose to support you. So it's important to construct it with care: think about your overarching message, how you want to market yourself, and how you want to develop your messaging over time.

The message theme, or the outline of the key ideas in the ad, is a central part of the creative brief. The message theme can be created using a number of message strategies. A message strategy is the primary tactic or approach used to deliver the message theme. **There are three broad categories of message strategies:**

- 1. Cognitive Strategies**
- 2. Affective Strategies**
- 3. Conative Strategies**

□ **Cognitive Strategies** - A cognitive message strategy is the presentation of rational arguments or pieces of information to consumers. These ideas require cognitive processing. When a cognitive message strategy is used, the advertisement's key message is about the product's attributes or the benefits. Customers can obtain these benefits by using the product. The goal of the cognitive message strategy approach is to design an ad that will have an impact on a person's beliefs and/or knowledge structure. This can be accomplished by suggesting any one of a wide variety of potential product benefits. Foods may be described as healthful, pleasant tasting, or low calorie. A tool can be shown as durable, convenient, or handy to use. A drill press machine used in a manufacturing operation may be portrayed as being more reliable or faster than comparable machines on the market. Cognitive message strategies make these benefits clear to potential customers.

There are five major forms of cognitive strategies:

- 1) Generic messages
- 2) Preemptive messages
- 3) Unique selling proposition
- 4) Hyperbole
- 5) Comparative advertisements

**Generic messages** are direct promotions of product attributes or benefits without any claim of superiority. This type of strategy works best for a firm that is clearly the brand leader and is the dominant company in the industry. The goal of the generic message is to make the brand synonymous with the product category. Generic message strategies are seldom found in

business-to-business advertisements, because few firms dominate an industry to the extent of Campbell's or Nintendo. One major exception is Intel, which controls 13.7% percent of the global micro-conductor market, which is double its closest competitor, Samsung (6.7% market share).

The generic message "Intel inside" has been used for years to convey to both businesses and end users that the processor inside is made by Intel. The Intel name is synonymous with quality. One of Intel's major customers is IBM. For several years IBM's marketing team wanted to discontinue displaying the Intel logo, because they thought it distracted from the IBM's brand. IBM, however, was compelled to continue to display the Intel inside logo to assure buyers that IBM computers contain Intel microprocessors. Forcing IBM to display the Intel inside logo on IBM's products illustrates the power a generic message has when the firm dominates the market.

Generic message strategies can also be used to create brand awareness. The goal of the advertiser may be to develop a cognitive linkage between a specific brand name and a product category, such as Skechers and sporty footwear. The ad may contain very little information about the product's attributes. The intent of the ad is simply to put the brand name in a person's cognitive memory and cognitive map.

**Preemptive messages** claim superiority based on a product's specific attribute or benefit. The idea is to prevent the competition from making the same or a similar statement. For example, Crest toothpaste is so well-known as "the cavity fighter" that the brand preempts other companies from making similar-sounding claims, even though all toothpastes fight cavities. The key to effectively using a preemptive strategy is to be the first company to state the advantage. This keeps competitors from saying the same thing. Those that do are viewed as "me-too" brands or copycats.

**A unique selling proposition (USP)** is an explicit, testable claim of uniqueness or superiority that can be supported or substantiated in some manner. Brand parity makes a unique selling proposition more difficult to establish. Reebok claims it is the only shoe that uses DMX technology, which provides for a better fit. Reebok can use this unique selling proposition because the company holds patents on DMX technology. In the Bonne Bell advertisement shown on this page, the company proposes a unique selling proposition aimed at teenagers. The message that Bonne Bell Lipshade is "your 1 and only, 1 handed, sleek sweep flipstick" stresses a unique product feature.

**The hyperbole approach** makes an untestable claim based upon some attribute or benefit. When NBC claims that its Thursday night lineup is "America's favorite night of television," the claim is a hyperbole. These claims do not have to be substantiated, which makes this cognitive strategy quite popular.

The final cognitive message strategy is a **comparative advertisement**. When an advertiser directly or indirectly compares a good or service to the competition, it is the comparative method. The advertisement may or may not mention the competitor by name. Sometimes, an advertiser simply presents a “make-believe” competitor, giving it a name like product X.

This approach, however, is not as effective as comparative advertising that states the actual competitor’s name. To provide protection from lawsuits, company leaders must be sure any claim concerning the competition can be clearly substantiated. AT&T and MCI compare rates. VISA brags that many merchants using the card will not accept American Express. Burger King explains the advantages of flame broiling as opposed to frying, which McDonald’s and Wendy’s use. In the business-to-business sector, shipping companies compare delivery times and accuracy rates.

The major advantage of comparative ads is that they often capture the consumer’s attention. When comparisons are made, both brand awareness and message awareness increase. Consumers tend to remember more of what the ad says about a brand than when the same information is presented in a non-comparative ad format.

-- The negative side of using comparative ads is in the areas of believability and consumer attitudes. Many consumers think comparative ads are less believable. They view the information about the sponsor brand as exaggerated and conclude that the information about the comparison brand probably is misstated to make the sponsor brand appear superior.

All five of these cognitive message strategies are based on some type of rational logic. The message is designed to make sure consumers pay attention to the ad and take the time to cognitively process the information. In terms of attitudes, the sequence of cognitive → affective → conative is the plan of attack when developing a rational approach. The intention of a cognitive message strategy is first to present consumers with rational information about a good, service, or company, and then to help them develop positive feelings about the same product or company.

Emotional advertising attempts to elicit powerful emotions that eventually lead to product recall and choice. Many emotions can be connected to products, including trust, reliability, friendship, happiness, security, glamour, luxury, serenity, pleasure, romance, and passion. Emotional appeals can be used in both consumer oriented and business-to-business ads. Members of the buying center in a business are also human beings. They do not always make decisions based solely on rational thought processes. Emotions and feelings also affect decisions. If the product’s benefits can be presented within an emotional framework, the advertisement is normally more effective, even in business-to-business ads.

→ **Affective strategies** are a common approach to developing a strong brand name. When an advertisement gets you to like a brand and have positive feelings for a brand, then the hope is that you will also purchase that brand. Cognitive beliefs about the brand then follow. This approach relies on the attitude development sequence of affective → conative → cognitive. For some products, affective ads are an effective approach because there are no real tangible differences among the brands. Coke and Pepsi primarily use affective message strategies. The ads are made to evoke liking, positive emotions, and favorable feelings toward the products and the companies who sell them.

→ **Conative Strategies** - Conative message strategies are designed to lead more directly to some type of consumer response. They can be used to support other promotional efforts, such as coupon redemption programs, Internet “hits” and orders, and in-store offers such as buy-one-get-one-free. The goal of a conative advertisement is to elicit behavior. A conative strategy is present in any television advertisement for music CDs that seeks to persuade viewers to call a toll-free number to purchase the music. These ads typically encourage quick action by stating that the CD cannot be purchased at stores and is available for only a limited time.

Action-inducing conative advertisements create situations in which cognitive knowledge of the product or affective liking of the product may come later (after the actual purchase) or during product usage. For instance, a point-of purchase display is designed (sometimes through advertising tie-ins) to cause people to make impulse buys. The goal is to make the sale, with cognitive knowledge and affective feelings forming as the product is used. In terms of an attitude sequence, conative message strategies typically utilize the conative → cognitive → affective approach.

Promotional support conative advertisements are used to support other promotional efforts. Besides coupons and phone-in promotions, a company may advertise a sweepstakes that a consumer enters by filling out the form on the advertisement or by going to a particular retail store.

### **Message Presentation:**

An executional framework is the manner in which an ad appeal is presented. The executional framework is chosen after an advertising appeal has been selected. The types of appeals that are most commonly used were described, including fear, humor, sex, music, rationality, emotions, and scarcity.

Animation is a popular type of executional framework. In recent years, the use of animation in advertising has dramatically increased. This is due in part to the growing sophistication of computer graphics programs. The animation technologies available to advertising creative are far

superior to the cartoon type that was previously used. One new animation technique is called roto-scoping. Roto-scoping is the process of digitally painting or sketching figures into live sequences. This makes it possible to present both live actors and animated characters in the same frame. The creative can also merge or modify various live scenes within the same frame.

Animation characters can be human, animal, or product personifications. Animation was originally a last-resort technique for advertisers who did not have money to prepare a live commercial. Most agencies did not hold it in high regard. Currently animation is one of the most popular advertising techniques. Successful films such as *The Incredibles* and *Finding Nemo* generated a great deal of interest in animation advertising. One wellknown product personification is the Pillsbury Doughboy. Computer graphics technology now allows production companies to superimpose these personifications in live scenes.

Animation is used mostly in television spots. It can be utilized in movie trailers and Internet ads. Single shots of animated characters, such as Tony the Tiger, are also placed into print ads. For years animation was rarely used in business-to-business advertising. Many advertising agencies had negative views of it. Agency leaders tended to believe animation appealed to children but not to businesspeople. These views have changed. Business ads shown on television can now take advantage of high-quality graphics technologies to illustrate a product's uses with animated figures and graphics.





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**UNIT –V**

**CONSUMER BEHAVIOR - SBAA7009**

## **UNIT – V Global Consumer Behavior:**

The Global consumer behavior and online buying behavior – Consumer buying habits and perceptions of emerging non-store choices – Research and applications of consumer Responses to direct marketing approaches – Issues of privacy and ethics.

### **Current trends in consumer behavior across the globe**

Never has there been a more important time to understand current trends in consumer behavior. Like many agencies and ad companies, we released our annual marketing trends report in January. However, the world has changed dramatically since then. Over the past few months, countries have had to deal with a global pandemic by locking down. As a result, consumers have had to adapt to a completely unknown situation.

Social restrictions are now easing, but the coronavirus crisis will leave a lasting impression. The way people think, feel and, of course, shop has been greatly impacted, and their behaviors will be markedly different for months to come. So, what are the current trends in consumer behavior across the globe?

#### **1. Health conscious:**

Perhaps unsurprisingly, consumers are far more health conscious than before. According to Accenture, health ranked as consumers' top priority right now. With 80% of surveyed people reporting that the health of their friends and family is at the top of their minds, followed by 78% who were most concerned with their personal health.

After months of increased hand washing, wearing protective masks and isolating indoors, hygiene will remain at the forefront of everyone's minds. Research from Shekel shows that 87% of US shoppers would now rather shop in stores with touchless self-checkout capabilities.

But it's not just about the short-term impact of contracting Covid-19. According to Forbes, the global pandemic has caused people to think about ageing. In particular, how they can lead a healthy lifestyle into their old age.

Other research certainly suggests that a general health-conscious way of living is a key current consumer trend. Insights from Foresight Factory reveal that people are concerned with becoming more resilient, so that they don't have to rely on the state or healthcare systems for support. Their behaviours will change as a result, including imposing distancing measures on themselves, and avoiding unhealthy activity. Equally, a Covid-19 survey from McKinsey & Company revealed that  $\frac{3}{4}$  of respondents in China want to eat more healthily after the crisis.

#### **What does it mean for brands?**

So, for many brands, providing more helpful services or products which will allow customers to lead healthy lives is key. A brand using this trend to their advantage is Lululemon. The fitness clothing company just purchased Mirror, a home fitness start-up, looking to maximise on the trend of safe, remote exercise. And with people unlikely to flock back to crowded gyms, focusing on home workout as part of their marketing strategy is a wise choice.

Brands can also look into the latest touchless technology to help customers feel safe while shopping in physical stores or when taking part in interactive experiences. Anders Hakfelt, the SVP of product and marketing at tech company Ultraleap, spoke about touchless tech at the

Drum's Can-Do Festival. He revealed that using hand tracking technology allows for the creation of touchless screens. He also highlighted that ultrasound modulated at a high frequency can alert the senses in people's hands, emulating the sense of touch.

So, brands must consider adopting new technologies when to help customers feel safe in future.

## **2. Mental health aware:**

With the pressure of worrying about our physical health and the health of those around us, the coronavirus pandemic has taken its toll on the world's mental health. In fact, The UN has advised governments across the globe to provide mental health support for their citizens at this time.

In the US, 22% of people reported that being confined to their house caused them anxiety, 32.7% of those were Generation Z. For Gen Z, the issue of disrupted schooling is a major factor for their anxiety. According to World Bank Data, 9 out of every 10 students in the world has had their schooling negatively impacted by Covid-19. Other issues include fears about their future in an uncertain world.

For Millennials and Gen X, the causes of anxiety vary. According to Vox, more millennials work in the industries most hit by the coronavirus pandemic. Job security and finances are thus causing this generation a huge amount of stress. For Gen X, worrying about the health of their parents and the situation their children face is a huge burden. While, for Boomers, the toll of being isolated inside as the most at-risk generation has clearly had a negative impact on their mental health.

### **What does it mean for brands?**

Brands should take into account their customers' mental health, and aim to do what they can to support them. For example, Hyatt, the hotel company, has recently partnered with the meditation app company Headspace to offer free meditation and sleep therapy sessions as part of their "Get Some Headspace with World of Hyatt" campaign. Users also get a 30 day free trial for Headspace Pro.

Snap has also taken a similar approach. During the height of global lockdown, they introduced a mental wellbeing tool on Snapchat aimed at delivering relevant content, including videos created by experts.

However, brands must be careful when approaching the topic of mental health. Vogue Portugal came under fire very recently for their 'Madness Issue'. One of the special issue covers featured a mock hospital scene with a nurse pouring water over a nude woman cowering in a bath. While Vogue intended the cover, and the magazine's contents, to spark conversation about mental health, many found the imagery incredibly problematic.

So, while now is certainly the time to open up a dialogue about mental health, brands must proceed with extreme care.

## **3. Community driven:**

Although the coronavirus crisis has been a time of extreme isolation, it has actually brought communities around the globe together. Just think back to those videos of Italians singing to their neighbours in the height of lockdown, or the weekly applause for carers adopted by countries worldwide.

Nationwide lockdowns have taught people to appreciate the value of those around them, leading to a more selfless way of thinking. Across the world, online community groups have sprung up offering support to neighbours, whether it be through food and medicine delivery services or through online social interaction. These groups are likely to stick around for some time, according to Forbes.

#### **What does it mean for brands?**

Brands should aim to support small, local businesses and make themselves part of the community. For example, in April, Instagram launched stickers for small businesses to be shared on Stories, including fundraiser stickers, gift cards and food orders. Similarly, Whatsapp has now made it possible to send payments via the platform, meaning it will be easier for consumers to pay local businesses. While this feature is currently only available in Brazil, it's likely to roll out worldwide very soon.

As well as making it easier for customers to shop local, brands can also make themselves part of the community by acknowledging and celebrating community spirit. WhatsApp are also excelling at this in their new campaign 'It's Between Us'. This campaign tells real stories about how people in India regularly interact with their closest friends and family on the social platform, highlighting how WhatsApp allows for intimate and important conversations.

Coca-Cola's new global campaign, 'The Great Meal' also speaks to the current heightened sense of togetherness felt worldwide. The ad depicts families and communities coming together to share in the simple joy of cooking. Creating campaigns that celebrate community is a sure fire way to resonate with consumers right now.

#### **4. Virtual workers and learners:**

The coronavirus crisis has made people appreciate the ease of digital, with many finding that they no longer feel the need to be physically present for all things. In fact, according to research by Accenture, a new sentiment among consumers is "If I can do it online, I will".

This is especially true for modern working and learning, where virtual will become the new normal in many parts of the world. In China alone, Microsoft Teams saw a 500+% increase in calls and conferences between January to mid-March (source: Accenture). According to Gartner, increased time working online is very likely as 74% of companies plan to permanently move towards remote working after the crisis.

And it's not just work. Schooling too has become an online phenomenon as 1.2B children across 186 countries saw their schools close (source: Unesco). However, it's not just about students brushing up on their times tables. As more and more people across all generations became tired of Netflix repeats, they turned to learning during lockdown. For example, language learning app downloads surged during the height of Covid-19. Over the month of March, new users on the global language learning app Duolingo increased by 101% (source: Duolingo).

#### **What does it mean for brands?**

For many B2B and tech brands, it'll be about helping companies and their workforce get the most from remote working. Brands can take inspiration from Microsoft's new global skills initiative aimed at helping workers learn new digital skills vital for a post Covid-19 world. Or they can look to Byju, a Bangalore-based ed tech company. Byju released free live classes on their app, Think and Learn, leading to a 200% increase in uptake from students (source: The Print).

Another great response to this current consumer trend is Snap's new Minis for Snapchat. Minis are essentially mini versions of apps that work within the Snapchat platform. Friends can now revise together on Snapchat by making flashcards in the Tembo Mini, making learning a social and virtual experience. The aim of Mini's is to also make other experiences, like meditation or shopping, social too. Which leads us to our next current trend in consumer behaviour...

## **5. Fuss-free online shoppers :**

While online shopping is certainly not a new trend, the demographic of online shoppers, and what people are shopping for online, is shifting significantly across the globe.

In China, there's been a notable change in online shopping behaviours, especially when it comes to groceries. According to We Forum, on the first day of the 618 Grand Promotion in June, JD Super (the supermarket linked to China's e-commerce company JD) achieved 140% more online sales, compared with the same promotional day last year.

Equally, in the US 61% of Boomers revealed they were using delivery services more than before the pandemic (source: National Retail Federation). And it's not just American Boomers – a survey from Global Web Index revealed that 46% of internet users worldwide intend to shop more online after this virus outbreak.

### **What does it mean for brands?**

Online retail will become a saturated market, with more and more people using it who might not be as technologically savvy. So, the brands that can create quick and easy e-commerce experiences are set to win. There are many ways that brands can do this.

Embracing shoppable features on social media – such as Instagram shoppable posts and Pinterest Shop the Look Pins, makes it easy for customers to shop for products via the platforms they love. Visual search is also an exciting e-commerce feature not to be overlooked. 27% of online consumers worldwide intend to research more items before shopping physically in a store, especially in Latin America where 36% consumers said they would now browse online more before heading to physical stores (source: Global Web Index). By adopting visual search, brands can make their products more visible and more easily comparable on platforms like Google Lens.

When shopping online, consumers want speed. In fact, 53% of mobile visits are abandoned if a site takes longer than 3 seconds to load (source: Think with Google). So, brands should look at developing Progressive Web Apps (PWAs), a website that acts and feels like a regular native app. PWAs improve user experience with fast load times and easy navigation. Lancôme claims its PWA led to a 36% increase in mobile revenue last year.

Another interesting trend which consumers in China turned to during lockdown was livestream shopping (or shopstreaming). Shopstreaming allows consumers to buy products directly from a live video. Brands like Coach turned to livestreaming on Alibaba's social platform Taobao. Research from Marketplace revealed that consumers appreciated being able to see the finer details up close and hear about where the products were made.

## **6. Flexible first:**

Of course, while online shopping is set to boom, there's still the issue of consumers feeling confident in their purchases. After months of living through an ever-changing and, dare we say it, 'uncertain' situation, the way consumers make purchasing decisions has changed.

With talk of global recession and further lockdowns, consumers feel nervous about the future and their finances. As a result, they're struggling to commit to their purchases, especially if there's an element of risk involved. Research by Global Web Index reveals that 1 in 5 internet users across 20 markets will be looking for more flexible payments options in the coming months.

### **What does it mean for brands?**

Consumers want flexibility with their purchases in order to take away the pressure of losing money in a time of recession. In the travel industry especially, policies which allow for fully refundable cancellations at the last minute, or which allow people to shift bookings, will help customers feel comfortable when parting with their money.

Many companies are already offering this flexibility to their customers. For example, Cathay Pacific are urging people to fly worry free with them, allowing them to change flights for an unlimited number of times.

But it's not just the travel sector paying attention to this trend in consumer behaviour. Klarna, the payment provider brand, played on the idea of easy and flexible purchasing in its recent launch campaign in the US, featuring the tagline 'Klarna: Swedish for smoother shopping'. See the ad below.

So, brands should think flexible first when approaching customers in this post Covid-19 world.

## **7. Local travellers:**

Continuing with the theme of travel, for those still unwilling to risk losing their money on cancelled hotels or flights, local staycations or travel within their own country is the answer.

Indeed, research from Global Web Index shows that 49% of respondents are planning to enjoy domestic vacations in the coming year. 30% say they'll travel locally and 28% aren't planning a getaway at all. Only 9% of people are planning on travelling long-haul. Countries that are particularly keen on the idea of domestic vacations include: Australia, China, New Zealand, Poland, and Spain.

### **What does it mean for brands?**

Take inspiration from Stella Artois's new campaign: 'Daydreaming in the Life Artois'. The alcohol brand has gone beyond their traditional offering, partnering with 6 famous writers to produce audio stories inspired by summers before the pandemic. Each episode is released on YouTube on a Friday evening and is followed with a live Q&A following each new episode. The stories allow customers on staycation to escape through audio, all while keeping Stella Artois front of mind.

AirBnB is another brand on top of the staycation trend. They've added a local getaway section, making it easy for travellers to discover local AirBnBs. Plus, they've added a range of online experiences from all around the world. Users can learn how to cook street tacos in Mexico, master the art of origami in Japan, spend an evening with a Flamenco musician in Spain... all from the comfort and safety of their own home.

Brands can also use VR to allow customers to explore new places and discover new cultures. Museums around the world, including the British Museum, the Louvre and the Guggenheim, have opened up their galleries with virtual reality tours. Similarly, the Faroe Islands tourist board has developed a VR app, allowing people to control a video game style tour guide as they move through the island.

## **8. Eco-friendly:**

Is it surprising that so many people want to stay local this summer? In the last few months, consumers have spent their days at home, relishing in the nature that thrived around them. In May 2020, as a huge number of countries continued to follow lockdown measures, the worldwide search for 'garden' reached an all-time high on Google.

This closeness to nature, and the way in which the natural world has thrived (did you see those dolphins in the canals of Venice?!) has caused people to become increasingly concerned with the environment. As a result, they're reassessing their relationship with consumerism. McKinsey & Company found that 70% of people in their COVID-19 consumer survey are going to keep spending more time and money on purchasing safe, eco-friendly products.

Similarly, a worldwide survey from Global Web Index discovered that 7 in 10 people believed that the need to reduce their personal carbon footprint and environmental impact will be of greater importance than before. 3 in 4 respondents are looking to companies, expecting them to do more in terms of sustainability.

Research shows that it is Gen Z who are leading the charge when it comes to environmental action. However, the desire for sustainability operates beyond traditional demographics, and should be something recognised by all brands.

### **What does it mean for brands?**

Brands need to show they care for the planet, but, more importantly, they need to act like they care too. For social media channels and shoppable platforms, it means helping users to find sustainable products. For example, to celebrate Earth Day, Pinterest added products from small to medium-sized sustainable brands onto Pinterest Shop so that customers could locate them easily.

Timberland also got active on this year's Earth Day, releasing their 'Caring is no longer enough' ad, as part of their 'Nature Needs Heroes' campaigns. The creative, based around an open letter to Mother Nature, urged nature to breathe and bloom while humanity remained in lockdown. The video closed with a promise from humanity to make a difference to the environment once for all. The ad linked to Timberland's Responsibility page, detailing the brands progress towards sustainability, their 2020 targets and their actions.

But, with posts about green-washing circulating on social media, brands must be sincere in their promises.

## **Online Buying Behaviour:**

### **1. It is a multi-device, omnichannel world now.**

Going online does not just mean using desktops and laptops anymore. It is anytime, anywhere connectivity afforded by tablets, smartphones and smart watches. Customers use multiple devices on their path to purchase – starting their search on mobile phones, purchasing products using tablets or laptops, and telling their friends about their purchases using all these devices. In a multi-device, omnichannel world, a business cannot operate a website optimized only for the desktop or laptop. It has to be accessible on smartphones and tablets. Businesses need to provide as seamless integration as possible for an optimal customer experience.

## **2. Customers shop around much more than before.**

Smartphones and mobile apps allow quick searches for products and services across different retailers and businesses, so shopping becomes very easy for customers. These devices also allow retailers to target customers with attractive offers, coupons and deals while they are on the go. Researchers have found that all these conveniences have made customers heavier shoppers than ever before. Even if they are loyal to some retailers, they easily switch to competitors when inundated with attractive offers. These trends are not easy to fight, but it also means retailers need to fight for a share of customers' attention early in the purchase funnel as customers shop around.

## **3. Consumers expect personalized experiences.**

Devices and channels also provide more opportunities for customizing the customer experience. Collecting data on customer preferences and shopping habits and making use of their past purchase data allow retailers to tailor the experience customers have at their websites. Such customization can increase conversions and is the best way to counter shopper promiscuity and keep customers coming back. Retailers do not need to spend thousands on marketing analytics software – systematic collection and analysis with common tools can give retailers 80% of the advantage that personalization can provide.

## **4. Word of mouth is still powerful.**

This is the age of social media and networks, where customers share their experiences, likes and dislikes with their friends and acquaintances online – on Facebook, Twitter, Snapchat and Instagram. Retailers should have a clear social media strategy to cultivate their customer base. Retailers can harness the power of word of mouth to increase their reach and reduce their marketing budget on paid media by earning their reputation through customer satisfaction. This also makes retailers take a long-term view of their customer relationships and reputation rather than depend on short-term gimmicks to increase revenue.

## **5. Consumers take their privacy seriously.**

As much as the online environment provides opportunities to collect data and information on customers' preferences, likes, and dislikes and to enable customization and personalized experiences, it is important to take customers' privacy concerns seriously. Do not sell their email addresses to others, do not spam them, and make sure you manage their data securely.

## **6. Customers want easy checkout and payment options.**

Many shoppers who make their purchases online want quick and easy checkout. An effective way to accomplish this is by saving your customers' billing and shipping information, which



allows them to check out faster, without entering a lot of repetitive data. More and more e-commerce websites are utilizing payment options such as PayPal and Apple Pay.

### **7. Sustainability is becoming important to online shoppers.**

Online customers are becoming more aware of the effects their purchasing decisions have on the earth's resources. Many modern consumers are shopping with sustainability in mind. Keeping this in mind and showing you care about sustainability may help you drive targeted audiences to your site and increase your loyal customer list. For instance, consider letting customers know that many of your products have sustainable packaging or that sustainable items were used in the manufacturing of your products.

### **Key Factors Influencing Online Consumer Behaviour:**

There is an unbelievable amount of information you need to know to sell online.

You must learn everything about your products and niche you want to operate in. You need at least some basic understanding of the technology behind the store too. Then there's marketing: you must know how to promote the store. Chances are that you will be doing that on your own for a good while.

But a crucial aspect of ecommerce gets often lost among all this information – your customers online behaviour. Part of the reason is that it seems obvious – someone lands on your site, finds products he or she wants and providing the price is right, shipping is within reason and the product is available of course, buys.

Unfortunately it's not that easy. There is much more to the user buying process than the 4 stages framework commonly discussed:

- Need recognition
- Search for solution
- Evaluation of alternatives
- Purchase

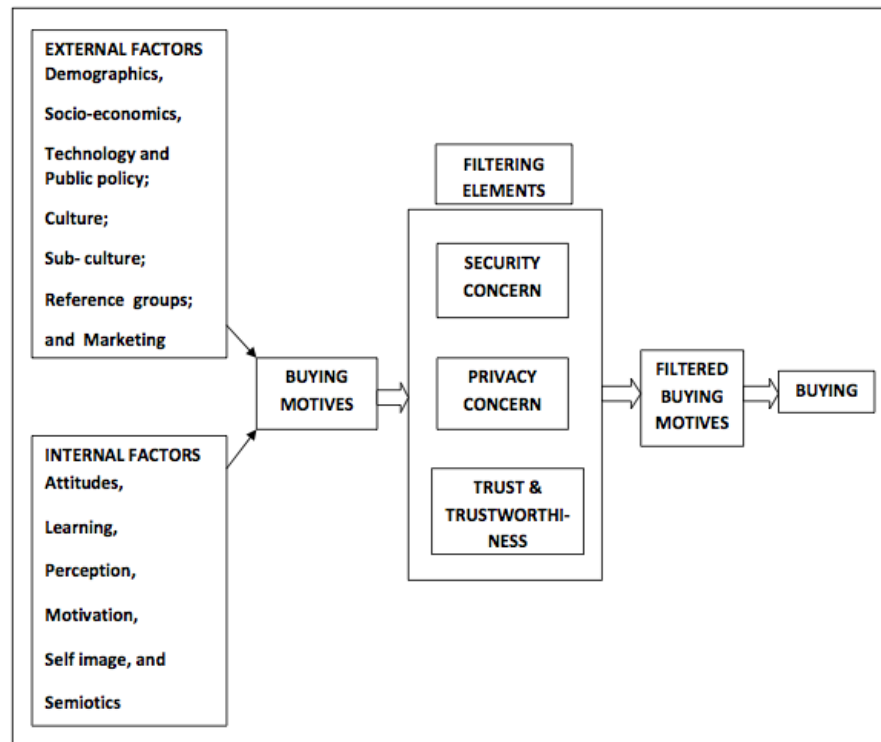
There are underlying processes that happen during each of those stages. If you are thinking of starting up your store, it's crucial that you learn about them.

### **The FFF Model of Online Consumer Behavior**

In 2012, two management professors Ujwala Dange and Vinay Kimar from Priyadarshini Engineering College and S. B. Patil Institute of Management respectively proposed a model for online customer behaviour. It is not the first time a model like this has been developed but I found theirs to be most relevant to customers of today.

The FFF model takes into consideration internal and external factors affecting consumer buying behaviour. It then proceeds to discuss various filtering elements customers will apply to make a selection of a store to purchase from and revised filtered buying behaviour based on their final selection.

Graphically the model representing customer journey to purchase looks like this:



## 1. Factors

Starting from left, the first element Kimar and Dange identified are factors that motivate customers to buy products or services online. They divided them into two categories: external and internal.

The external factors are the ones beyond the control of the customers. They can divide into five sectors: Demographics, socio-economics, technology and public policy; culture; sub-culture; reference groups; and marketing.

Internal factors are personal traits or behaviours and include attitudes, learning, perception, motivation, self image, and semiotics.

Based on such factors customer develops what Jagdish Sheth, a professor of marketing at Emory University defined as two distinct types of buying motives: functional and non-functional.

The functional motives relate to consumer needs and could include things like time, convenience of shopping online, price, the environment of shopping place (i.e. couch buying), selection of products etc.

The non-functional motives relate more to the culture or social values like the brand of the store or product for instance.

## 2. Filtering Elements

Kimar and Dange recognized security, privacy and trust as three hurdles to online purchases. Customers use these three factors to filter their buying choices and decide on the final selection

of stores they are willing to buy from. In other words, if your store doesn't pass your customers' security, privacy and trustworthiness criteria, they won't buy from you. Even if you are cheaper. Compared to traditional brick and mortar shops, online shopping carries more risk during the purchase process. Customers recognise online as a high level risk purchase and have become aware of what might happen with their data online. They use that knowledge now to filter their purchase options by 3 factors:

### **Security**

It's an unfortunate characteristics of the internet that information there could be easily lost or stolen. Your payment details or personal information could easily be retrieved from a database it is stored in by the shop for instance, as we have seen recently with few major security breaches. Customers are growing more aware of the dangers of stolen data from the web. And they filter their purchasing alternatives against security criteria.

### **Privacy**

Another type of risk online is having personal information handed over to or stolen by 3rd party companies to send unsolicited emails and spam to customers. Even though the results of privacy breaches may not be as severe as losing your financial data, it can still cause a great deal of frustration and diminish trust in stores.

A lack of trust in a store's privacy policies is a serious obstacle for many customers. Similarly, many customers look for reassurance that their data will be protected and not handed over to any 3rd parties for further use in marketing.

### **Trust and Trustworthiness**

Online trust is essential in building any relationship with customers. There seems to be however a diminishing trust in online merchants. This is especially true when it comes to smaller, niche stores. Customers focus on Amazon and other giants, shops with big brands behind them and don't apply the same level of trust to a smaller shop. So if you run a store selling bike storage for instance, you should work hard to build a high level trust among your customers to be picked up for the order.

### **3. Filtered Buying Behaviour**

The last element of the model covers what authors call the filtered buying behaviours, a set of expectations and motives revised by the filters we discussed above.

### **Consumer Buying Habits:**

Buying habits are the tendencies customers have when purchasing products and services. These tendencies come from a variety of different factors, many of which seem obvious and unimportant. When examining buying habits, take into account both physical and mental factors that make up your customer or client base. By examining the buying habits of your customers, you'll be better able to build a marketing plan that taps into the buying habits of your target customer and drives more sales.

### **Factors that influences consumer purchases:**

There are two types of influences that significantly affect the buying habits of customers and are the ultimate factors that will sway customers to purchase your product or service. These two types of influences are internal and external.

### **Internal Influences**

Internal influences are the factors that affect customer purchases that come from the customers themselves. Customer wants, needs, desires, and preferences are internal influences that drive purchasing decisions. Hunger, health reasons, boredom, or a desire to travel are all internal influences.

Customers make buying decisions based on their gender, age, location, education level, and family, among many other factors. Less obvious influences that may be affecting your customers can include mood, social status, time of day, and cognitive functioning. What are the internal influences that impact your customers? Identifying these internal influences will enable you to reach customers who are already looking to use a product or service like the one you offer.

### **External Influences**

External influences are the things that influence buying habits outside of individual wants and needs. Billboards, Facebook ads, celebrities, customer testimonials, and current trends are all external factors that influence customer buying decisions.

Signage and branding are also external influences that drive buying decisions. Does your business's brand align with your target customer? For example, a cutesy brand with doodles is more fitting for a preschool than a financial services firm. Use external influences to encourage customers to make a purchase—identify what influences your target customers and use these external forces to get more sales.

### **Leveraging Influences to Reach More Customers**

Marketing is only effective if it reaches the right people. Identifying the things that influence buying decisions enables you to leverage these factors to reach more customers. For example, if your target audience is men over 65 who make morning purchases, your most effective marketing method may be in newspaper or print ads that will reach your audience when they're alert and ready to make a purchase. On the other hand, if your target audience is teenage girls, an advertisement at a local mall or Facebook ads might be a more effective means of advertising. Aligning your long-term marketing goals with your customers' buying habits can impact your sales.

## Non Store Retailing - Meaning

The selling of goods and services without establishing a physical store is known as Non-Store Retailing. It includes such services as vending machines, direct-to-home selling, telemarketing, catalog sales, mail order, and television marketing programs. The fast growing method used by retailers to sell products is through methods that do not have customers physically visiting a retail outlet. In fact, in many cases customers make their purchase from within their own homes. A large majority about 80% of retail transactions are made in stores. However, a growing volume of sales is taking place away from stores. It is estimated that non-store sales account for almost 20% of total retail trade.

Types of Non Store Retail Format: Following are the six types of non store retailing:

- Direct selling,
- Tele marketing,
- Online retailing,
- Automatic vending,
- Direct marketing, and
- Electronics retailing.

### **Direct Selling:**

Direct selling is also defined as personal contact between a sales person and a consumer away from a retail store. This type of retailing has also been called in home selling. Annual volume of direct selling in India is growing fast from the beginning of the 21st century. Like other forms of non-store retailing, direct selling is utilized in most countries. It is particularly widespread in Japan, which accounts for about 35% of the worldwide volume of direct selling.

The U.S. represents almost 30% of the total and all other countries the rest. The two kinds of direct selling are Door to door Party plan Direct retailing originated several centuries ago and has mushroomed into a \$9 billion industry consisting of about 600 companies selling [HYPERLINK " http://www.britannica.com/EBchecked/topic/169273/door-to-door-sale"](http://www.britannica.com/EBchecked/topic/169273/door-to-door-sale) o " door-to-door" door-to-door, office-to-office, or at private-home sales meetings.

The forerunners in the direct-selling industry include The Fuller Brush Company (brushes, brooms, etc.), Electrolux (vacuum cleaners), and Avon (cosmetics).

In addition, Tupperware pioneered the home-sales approach, in which friends and neighbors gather in a home where Tupperware products are demonstrated and sold. Network marketing, a direct-selling approach similar to home sales, is also gaining prevalence in markets worldwide.

Network marketing companies such as Amway and Shaklee reward their distributors not only for selling products but also for recruiting others to become distributors. In 2007, Amway's parent company tested an Internet recruitment model by launching Fanista, a Web site that sells entertainment media such as books, movies, and music, while rewarding users for bringing other customers to the site Reasons for the growth in direct marketing:

### **Telemarketing:**

Sometimes called telephone selling, telemarketing refers to a sales person initiating contact with a shopper and closing a sale over the telephone. Telemarketing many entail cold canvassing from the phone directory. Many products that can be bought without being seen are sold over the telephone. Examples are pest control devices, magazine subscriptions, credit cards and club memberships. Telemarketing is not a problem free retailing. Often encountering hostile people on the other end of the line and experiencing many more rejections than closed sales, few telephone sales representatives last very long in the job.

Further some telemarketers rely on questionable or unethical practices. For instance firms may place calls at almost any hour of the day or night. This tactic is criticized as violating consumers' right to privacy. To prevent this, some states have enacted rules to constrain telemarketers' activities. Despite these problems, telemarketing sales have increased in recent years. Fundamentally, some people appreciate the convenience of making a purchase by phone. Costs have been reduced by computers that automatically dial telephone number, even deliver a taped message and record information the buyer gives to complete the sale.

The future of telemarketing is sure to be affected by the degree to which the problems above can be addressed and by the surge of online retailing.

### **Online retailing**

**Online Retailing:**When a firm uses its website to offer products for sale and then individuals or organizations use their computers to make purchases from this company, the parties have engaged in electronic transactions (also called on line selling or internet marketing). Many electronic transactions involve two businesses which focus on sales by firms to ultimate consumers. Thus online retailing is one which consists of electronic transactions in which the purchaser is an ultimate consumer. Online retailing is being carried out only by a rapidly increasing number of new firms, such as Busy.com, Pets Mart and CD Now.com. Some websites feature broad assortments, especially those launched by general merchandise retailers such as Wal-mart and Target.

Some Internet only firms, notably Amazon.com are using various methods to broaden their offerings. Whatever their differences, e-retailers are likely to share an attribute. They are unprofitable or best, barely profitable. Of course, there are substantial costs in establishing an online operation. Aggressive efforts to attract shoppers and retain customers through extensive advertising and low prices are also expensive. The substantial losses racked by online enterprises used to be accepted, perhaps even encouraged by investors and analysts.

The rationale was that all available funds should be used to gain a foothold in this growing market. Despite these challenges, online retailing is expected to grow, rapidly and significantly for the foreseeable future. Online sales represented about 1% of retail spending in 2005, but one research firm estimates that consumer purchases on the Internet will triple by the year 2010.

Which product categories are consumers most likely to buy on the Internet in the future? Consumers' shopping intentions in 2005 placed the following goods and services at the top of the list: books, music and videos, computer hardware and software, travel and apparel.

Of course, given that change on the Internet occurs, these categories soon may be surpassed by others - perhaps groceries, toys, health and beauty aids, auto parts or pet supplies.

### **Automatic Vending**

The sale of products through a machine with no personal contact between buyer and seller is called automatic vending. The appeal of automatic vending is convenient purchase. Products sold by automatic vending are usually well-known presold brands with a high rate of turnover. The large majority of automatic vending sales comes from the "4 C's": cold drinks, coffee, candy and cigarettes.

Automatic vending is a unique area in non-store merchandising because the variety of merchandise offered through automatic vending machines continues to grow. Initially, impulse goods with high convenience value such as cigarettes, soft drinks, candy, newspapers, and hot beverages were offered.

However, a wide array of products such as hosiery, cosmetics, food snacks, postage stamps, paperback books, record albums, camera film, and even fishing worms are becoming available through machines.

### **Direct Marketing**

There are no consumers on the exact nature of direct marketing. In effect, it comprises all types of non-store retailing other than direct selling, telemarketing, automatic vending and online retailing. In the context of retailing, it has been defined as direct marketing as using print or broadcast advertising to contact consumers who in turn, buy products without visiting a retail store. Direct marketers contact consumers through one or more of the following media: radio, TV, newspapers, magazines, catalogs and mailing (direct mail). Consumer orders by telephone or mail.

Direct marketers can be classified as either general - merchandise firms, which offer a variety of product lines, or specialty firms which carry - only one or two lines such as books or fresh fruit. Under the broad definition, the many forms of direct marketing include:

Direct mail - in which firms mail letters, brochures and even product samples to consumers, and ask them to purchase by mail or telephone. Catalog retailing - in which companies mail catalogs to consumers or make them available at retail stores

### **E-Retailing**

Internet Retailing or e-retailing as is usually referred to as covers retailing using a variety of different technologies or media. It may be broadly be a combination of two elements.

Combining new technologies with elements of traditional stores and direct mail models using new technologies to replace elements of stores or direct mail retails. Internet retail also has some elements in common with direct mail retailing.

For example, e-mail messages can replace mail messages and the telephone, that are used in the direct mail model as means of providing information, communication and transactions while on-line catalogues can replace printed catalogues.

As with direct mail businesses, critical success factors include:

- (i) Use of customer databases
- (ii) Easy ordering
- (iii) Quick DeliveryOperational

elements that the Internet retail model shares with both the retail store and direct mail models include:

- (i) Billing of customers
- (ii) Relationships with supplier

There are, therefore, many elements that Internet retail and more traditional retail models have in common. Indeed many of the most successful Internet retailers have been those that have been able to successfully transfer critical elements from traditional retailing to the Internet, such as customer service and product displays.

#### Direct Response Marketing:

Direct response marketing is a marketing tactic that demands a quick response from consumers who are exposed to it. The goal with direct response marketing is to convince consumers to call a number, visit a website URL, or take some other desired action.

If you have ever stayed up late in front of the television, you have likely seen one of the most popular forms of direct response marketing. The infomercial allows entrepreneurs access to consumers who might want to buy their products.

During an infomercial, the person who is pitching the product mentions the call to action several times over the course of the program. A phone number or web address often appears on screen at all times, and viewers know exactly what they need to do to buy the product.

Infomercials work particularly well because entrepreneurs can demonstrate their products for consumers and provide riveting entertainment designed specifically for the target audience. The same goes for programs on the Home Shopping Network and similar stations.

You can also use direct response marketing through other mediums. It's certainly not exclusive to television. In fact, digital marketing and a direct response format often works better than an infomercial or a spot on QVC.

#### Some Useful Direct Response Marketing Techniques:

As mentioned above, you have lots of options when it comes to direct response marketing. However, you need to have strategies in place to increase your odds of generating sales.



Consumers don't buy a product just because you tell them to. They buy because you tell them to you and because you give them a compelling reason to pull out their wallets.

You have to know your audience intimately and understand what motivates them to purchase. Otherwise, you'll simply waste time and money on a marketing campaign that never produces any results.

But we have you covered. The following qualities of the direct response marketing campaign are essential for achieving her goals. If you make sure that your campaign follows these techniques, you're very likely to generate revenue that far exceeds any money you spent.

### **Make Responding to the Offer Simple**

Today's consumers prefer simplicity over everything else. They don't want to jump through hoops even if it's to get a product they really want. Knowing this, make sure that you give your viewers or audience an easy way to order your product or take any other desired action. There is a reason why infomercial producers use 1-800 numbers. They're often easy to remember, and all viewers have to do is dial and listen. You can also direct consumers to your website, a social media channel, or anywhere else. Just make sure that prospective customers won't have any reason to abandon the process because it's either time-consuming or difficult.

Let's say, for example, that you send customers to a page on your website with a form they need to fill out. You want to capture their names, email addresses, and payment information. Make sure you don't ask for any unnecessary information. If you don't need to know the customer's gender, for example, leave it out of the form. Every new form field adds another layer of complexity to the transaction and increases the chances that the customer will simply opt out of the sale.

### **Give Specific Directions to the Consumer**

Just as you want to keep the direct response marketing process as simple as possible, you likewise want to leave no doubt in the consumer's mind about what you want him or her to do. Make the directions simple and specific.

Do you want prospects to call a specific number? Repeat it several times and tell the customer what to expect after dialing. Are you directing prospects to your sales page? Repeat the URL often and make sure you explain the process for buying one of your digital products.

The more specific you are, the less confusing your pitch becomes. Consumers don't want to spend half an hour figuring out how to sign up for your new online course. They want to complete the transaction quickly and move on.

Additionally, don't confuse prospects with multiple CTAs. Direct response marketing works best when there is one offer on the table and one set of directions to follow.

## **Hold a Contest or Giveaway**

In today's crowded, saturated marketplace, capturing consumer interest can prove difficult — even with direct response marketing. To grab your target market's attention, consider hosting a contest or giveaway.

Maybe you're holding a webinar for interested consumers. You could announce at the beginning that you'll give away one month of free access to your membership site at the end to a random participant. You can also announce the giveaway prior to the webinar to encourage people to sign up and attend.

Giveaways are effective even for people who don't "win." They will see the product as something of value and might decide to buy it if they don't get it for free. Additionally, they will consider your business generous and giving, which are great qualities for any brand.

## **Add a Time Limit to the Offer**

Time-bound offers work particularly well in direct response marketing. People respond well to urgency because of the fear of missing out.

Nobody wants to know that they missed the opportunity to get a product for half of the normal price, for example. They would rather make a hasty decision and buy the product now then risk feeling disappointed at a later date.

If you have ever watched a program on QVC or a similar station, you have seen me time-bound strategy at work. You only have until the products run out to make your own purchase. If you wait too long, you miss your chance to get the product at the advertised price.

Consumers are naturally averse to missing out on things that they perceive as valuable. That's why coupons, sales papers, and emails with discount codes often have expiration date. It lets the **consumer know that the offer won't last forever.**

## **Most Effective Direct Response Marketing Channels Are:**

We have already talked about infomercials, but you have many more options in terms of channels for direct response marketing. The right channel depends on the type of offer that you are presenting, the audience you are targeting, and other variables specific to your business and industry.

Ideally, you'll choose the channel that will reach the most potential customers and inspire the most conversions. However, you might have to face certain limitations, such as cost.

It's far more expensive to run a television commercial than to send a drip email campaign. The commercial might generate more response from the public, but you have to weigh it against the amount of money you need to spend.

Let's take a look at a few of the most effective direct response marketing channels so you're familiar with how they work and what they can do for your business.

## **Digital Marketing**

Digital marketing refers to any marketing campaign that takes place via digital devices. For instance, blogging is a form of marketing, but it's not necessarily an example of direct response marketing.

To use digital marketing for direct response, you need a way to not only reach your target audience with a time-bound offer, but also a way to track the results in real time.

For instance, you might use social media advertising to promote a limited-time cost for one of your online courses. A Boosted Facebook post, for example, is measurable, trackable, and capable of giving a clear CTA.

Other examples of direct response digital marketing could include hosting webinars, running search ads, creating a podcast, and hosting a Twitter chat. Each of these digital channels allows you to create an offer to which your audience must immediately respond.

## **Email Marketing**

Here at Kajabi, we're big fans of email marketing. It's an extremely inexpensive way to reach your audience no matter how big it becomes. It is also an ideal channel for direct response marketing.

Let's say, for example, that you have just created an online course. If you have segmented your email list based on buyer personas, you can choose a list of people who would be interested in the course you just made.

You can send one email or a list of drip emails to that list with the goal of generating sales of your online course. You could offer a discount for three days after you send the first email to elicit a faster response.

You have to make sure, though, that the people on your list actually open and read your emails. If you use spammy or unattractive subject lines, for example, people will likely delete your email without even opening it.

In direct response marketing, subject lines should exhibit both urgency and appeal. In as few words as possible, tell the recipients what they can expect to find inside the email.

## **Direct Response Mail**

Believe it or not, people still enjoy receiving postal mail. They don't like junk mail, though, so if you want to use postal mail for direct response marketing, make sure that the literature you send won't irritate the recipients.

In most cases, this means making an offer that most of your audience couldn't possibly refuse. If you knock enough money off the "list price" of your online course or have enough bonus materials to the original offer, your target audience will race right to the nearest computer or digital device and visit your sales page.

## **DRTV**

Direct response television has not become less effective the advent of the Internet. People still watch lots of TV and enjoys shopping based on what they see.

The most common form of direct response television is the commercial. A commercial consists of between 30 seconds and two minutes of recorded promotional content.

However, it's important to note that television commercials are costly. This is especially true if you're not targeting a specific geographical location.

If you don't have the cash to pay for a television commercial, you can consider alternatives like radio and print. Just realize that those mediums won't produce as many sales as television.

## **Direct Sales**

Sometimes, the best marketing occurs when you put boots on the ground. If you get out into the real world and the people in person, you can generate more sales than you lead by connecting with them online.

Direct sales refers to a direct response marketing technique that puts you right in front of your target audience. Attending conferences, trade shows, and other industry events allows you to meet people face-to-face and get to know their needs.

It doesn't become direct response marketing until you make your offer and direct consumers to the best way to fulfill that offer. You can do this from a booth at a trade show or a table at a conference, but shall have more luck if you speak at the event and direct people to meet with you after your speech and sign up to buy for your digital products.

## **Conclusion**

Direct response marketing isn't dead. Just because newer, shinier alternatives have become available, the urgency and excitement of direct response will never allow it to go away completely.

In fact, the Internet has made it easier than ever to connect with your audience and share with them a specific, trackable offer.

To succeed in direct response marketing, you must have a simple procedure that prospects can follow to take advantage of the promotion. Additionally, you'll need to give clear directions about how to cash in on the offer.

Consider holding a contest or giveaway to generate excitement. Just make sure that there's a time limit on the offer. Otherwise, consumers will have no motivation to act right away.

You can pursue direct response marketing through many channels, from digital and email marketing to direct response mail, DRTV, and direct sales. Just focus on making every ad as compelling as possible.

It should be measurable, trackable, and optimized for persuasion. Target a specific buyer persona with each offer and make sure prospects know that they must respond right away. As long as you follow those best practices, you'll generate sales.

Successful elements of direct response marketing are:

- Trackable
- Measurable
- Targeted
- Makes a specific offer
- Clearly outlines the benefits
- Has a clear call-to-action
- Personalized

### **Applications of Direct Response Marketing:**

**#1: Use Facebook Ads to Drive E-Commerce Sales:** A classic example of a direct response ad is the e-commerce ad. It has a very clear goal: "Buy this" or "Shop Now."

**#2: Nurture Action with Phased Campaigns:** One reason tracking customer behavior is so important in direct response marketing is because it may take a few actions before the customer is ready to buy. That's why GMass recommends you try to warm up leads with LinkedIn engagement and ads before you email them a specific direct-response offer.

**#3: Use Direct Response Marketing for Recruiting:** Sometimes it's not even about sales. In the on-demand and sharing economy, many businesses are positioned as connectors between buyers and suppliers. Their success demands that they attract high-quality suppliers in addition to consumers that participate in their platform.

In the rideshare battle, it's become so cut-throat that it's hard to compete on price anymore. Both Uber and Lyft have put tons of effort into attracting drivers as well as customers. Most of the driver recruitment has been done through direct response advertising.

**#4: Grow Your Customer Base with Refer-a-Friend Programs:** Men's grooming company Harry's took the world by storm when it grew to one million customers in just two years.

They were able to climb to such success by focusing on viral and direct response marketing instead of the traditional brand advertising that Gillette and Dollar Shave Club were doing at the time. One of the key pieces to their successful launch was the refer-a-friend campaign that

focused on creating a specific action: invite your friend to join Harry's launch list. They incentivized customers by offering free products if they sent their friends invites to a very specific landing page. This refer-a-friend campaign guaranteed that the marketing was personalized, since it was being delivered by a friend.

**#5: Use Direct Response Marketing to Drive Upsells :** The probability of a new prospect buying is about 5-20%, but the probability of successfully selling again to an existing customer skyrockets to 70-90%, according to GrooveHQ.

Selling to your existing customers becomes even more important with a recurring revenue model like Dollar Shave Club, where only 5-30% of revenue comes from the initial sale. Their subscription model gives them an excuse to sell to customers every month with a friendly reminder email. The message reminds customers when their next box will ship and offers to send even more great product along with it. This creates a sense of urgency without having to give away any discounts or freebies. Urgency can be key in a direct response campaign because it encourages action now.

**#6: Go Old School with Direct Mail:** A lot of marketers these days only focus on digital media—social, email, display ads. But traditional media still works well for direct response marketing. Over 100 million US adults made a catalog purchase in 2016!

**Conclusion:** Building a brand image takes years and tons of investment. While every company should invest in their brand image, it's expensive and dangerous to rely on this strategy alone.

Direct response marketing is a great tool for small and large businesses alike to engage with their target customers and drive action now, rather than waiting for the customer to be motivated enough to move on their own.

It can be used anywhere, from Facebook feeds and email campaigns to direct mail and television ads. And it can drive just about any business goal: e-commerce sales, account registration, referrals, etc.

### **Issues of privacy and ethics:**

Direct marketing is when a company advertises their product or service directly to the public by mailing marketing material, sending emails, or by phone calls. While this can be a great way for to get the word out about a product or service, associated legal and ethical issues should be kept in mind.

We will take a look at two ethical issues that deal with consumer

- The right to be informed
- The right to privacy.

Then we will look at some of the laws that companies need to be aware of that affect direct marketing.

## **The Right To Be Informed :**

The first ethical issue companies need to consider in direct marketing approach is the right to be informed. The right to be informed is the consumers' right to information of alternatives as well as the right to accurate information that is not misleading or false.

For example, if Paul's Produce sends out advertisements through the mail or email claiming that all of their food products are organic then this information needs to be true. Companies can find themselves in trouble with their consumers if they are not providing correct information.

Also, Paul cannot market one of their products as the only foods capable of decreasing anxiety if, in fact, other products from other companies do the same. Consumers need to be able to look at alternatives and make a decision. These are both ethical issues that companies want to take into account when they are sending out advertisement in the mail or telemarketing.

## **The Right to Privacy :**

Next, companies need to be aware of consumer's right to privacy, which is a broad concept, but in this case refers to a consumer's right to be left alone by marketers. In order to send out marketing material through the mail or call potential consumers, companies need to obtain consumer information. Sometimes companies buy consumer information from a third party. This means that the consumers they are targeting did not request information about their product or service.

For instance, have you ever received marketing material in the mail for a company that you had never purchased anything from? You were probably wondering how the company received your information. Many consumers do not appreciate receiving advertisements in the mail or telephone calls. The company needs to be aware they may face consumers that do not want unsolicited marketing and even consider it unethical. There are also legal issues with consumer privacy that we will discuss next.

## **Public and Ethical Issues in Direct Marketing**

Although direct marketers and their customers usually enjoy mutually rewarding relationships, a darker side occasionally emerges. Key public and ethical issues include:

^ **Irritation:** Many people find the increasing number of hard-sell, direct-marketing solicitations by phone, television, and e-mail to be a nuisance.

^ **Unfairness:** Some direct marketers take advantage of impulsive or less sophisticated buyers. Television shopping channels and infomercials—extended-length, direct-response commercials that appear to be television shows demonstrating or discussing a product—may be the worst culprits. They feature smooth-talking hosts, elaborate demonstrations, claims of drastic or short-time price reductions, and easy purchasing to capture buyers who have low sales resistance.

^ **Deception and fraud:** The Federal Trade Commission receives thousands of complaints annually about scams and frauds. Some direct marketers exaggerate claims about products and performance, some political fundraisers use questionable gimmicks such as envelopes that resemble official documents, and some nonprofit organizations pretend to conduct surveys when they are actually trying to identify donors.

^ **Invasion of privacy:** Critics worry that marketers may know too much about their customers' lives, and that they may use this knowledge to take unfair advantage. American Express, long regarded as a leader on privacy issues, does not sell information on specific customer transactions. However, Amex found itself the target of consumer outrage when it announced a deal to make data on 175 million Americans available to any merchant who accepts AmEx cards. The uproar prompted Amex to kill the plan. America Online, also targeted by privacy advocates, wound up junking a plan to sell subscribers' telephone numbers.<sup>7</sup>

People in the direct-marketing industry are working on addressing these issues. They know that, left untended, such problems will lead to increasingly negative consumer attitudes, lower response rates, and calls for stricter government regulation. In the final analysis, most direct marketers want the same thing that consumers want: honest and well-designed marketing offers targeted only to those consumers who appreciate hearing about the offer.