

Government Engineering College Jhalawar
Department of Management Studies
MBA II Year(CBMR)

Attempt All the question

Date:06/03/2018

MM:10

Q.1. What do you mean by Consumer Behavior? Explain nature of Consumer Behavior?

Ans: Consumer behavior is about the behavior of consumers in different situations. However, there are various definitions of the discipline:

The behavior that consumers display in searching for, purchasing, using, evaluating and disposing of products, services and ideas.

A discipline dealing with how and why consumers purchase (or do not purchase) goods and services.

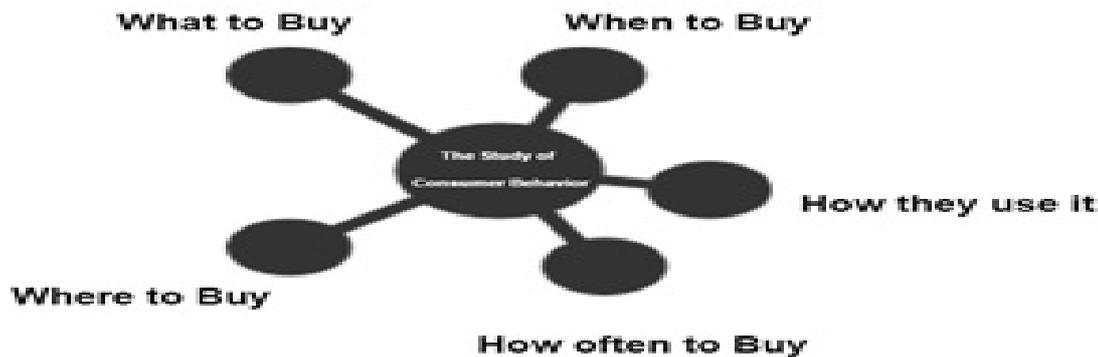
Consumer behavior can be thought of as the actions, reactions, and consequences that Take place as the consumer goes through a decision-making process, reach a decision, and then put the product to use.

It is the study of the processes involved when individuals or groups select, purchase, use, or dispose of products, services, ideas, or experiences to satisfy needs and desires.

[C]consumer behavior is defined as (1) the mental and physical acts of (2) individuals, households or other decision-making units concerned with ultimate consumption involving (3) the acquisition, own product, use and, in some cases, the dispossession of products and services.

The definitions reveal two central themes about consumer behavior:

- 1 It is a process of actions covering purchase, usage and/or disposal.
- 2 It involves individual or group consumers in goods, services, ideas and experiences.



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'.

Nature of Consumer Behavior:

1. Influenced by various factors:

The various factors that influence the consumer behaviour are as follows:

- 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 colorful 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 vary 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:

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 deprive themselves of higher standard of living.

9. Reflects status:

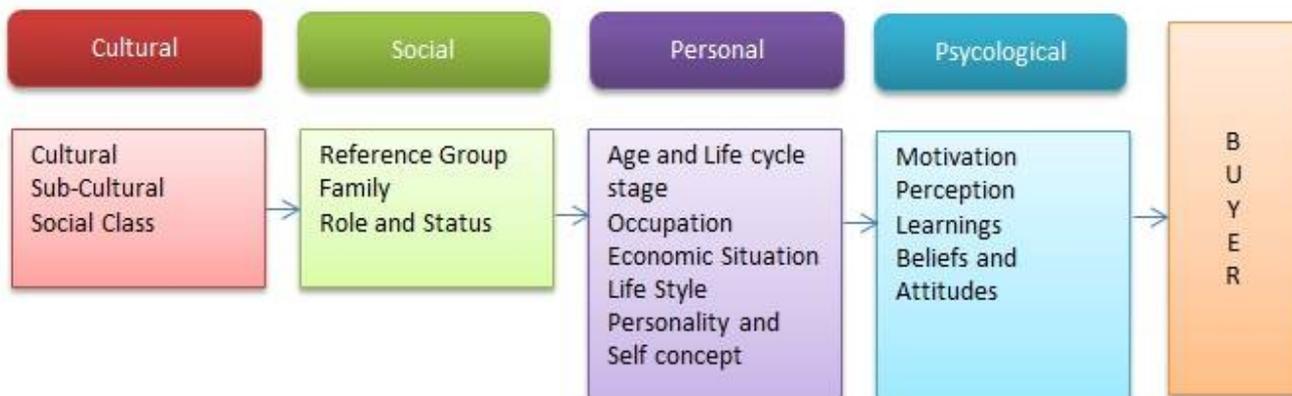
The consumer behavior is not only influenced by the status of a consumer, but it also reflects it. The consumers who own luxury cars, watches and other items are considered belonging to a higher status. The luxury items also give a sense of pride to the owners.

Q.2.Explain various factors affecting consumer Behavior?

Ans. Consumer s buyer behaviour is influenced by four major factors:

- 1) Cultural,

- 2) Social,
- 3) Personal,
- 4) Psychological



1. Cultural Factors - Culture and societal environment

Culture is crucial when it comes to understanding the needs and behaviors of an individual. Basically, culture is the part of every society and is the important cause of person wants and behavior. The influence of culture on buying behavior varies from country to country therefore marketers have to be very careful in analyzing the culture of different groups, regions or even countries. Throughout his existence, an individual will be influenced by his family, his friends, his cultural environment or society that will teach him values, preferences as well as common behaviors to their own culture. For a brand, it is important to understand and take into account the cultural factors inherent to each market or to each situation in order to adapt its product and its marketing strategy. As these will play a role in the perception, habits, behavior or expectations of consumers.

For example, in the West, it is common to invite colleagues or friends at home for a drink or dinner. In Japan, on the contrary, invite someone home does not usually fit into the local customs. It is preferable to do that this kind of outing with friends or colleagues in restaurant.

Sub-cultures

A society is composed of several subcultures in which people can identify. Subcultures are groups of people who share the same values based on a common experience or a similar lifestyle in general. Each culture contains different subcultures such as religions, nationalities, geographic regions, racial groups etc. Marketers can use these groups by segmenting the market into various small portions.

Social classes

Social classes are defined as groups more or less homogenous and ranked against each other according to a form of social hierarchy. Even if it s very large groups, we usually find similar values, lifestyles, interests and behaviors in individuals belonging to the same social class. Every society possesses some form of social class which is important to the marketers because the buying behavior of people in a given social class is similar. In this way marketing activities could be tailored according to different social classes.. In addition, the consumer buying behavior may also change according to social class. A consumer from the lower class will be more focused on price. While a shopper from the upper class will be more attracted to elements such as quality,

2. Social Factors

It includes groups (reference groups, inspirational groups and member groups), family, roles and status. This explains the outside influences of others on our purchase decisions either directly or indirectly. Social factors are among the factors influencing consumer behavior significantly. They fall into three categories: reference groups, family and social roles and status.

Reference groups and membership groups

The membership groups of an individual are social groups to which he belongs and which will influence him. The membership groups are usually related to its social origin, age, place of residence, work, hobbies, leisure, etc. Reference groups have potential in forming a person attitude or behavior. The impact of reference groups varies across products and brands. For example if the product is visible such as dress, shoes, car etc then the

influence of reference groups will be high. Reference groups also include opinion leader (a person who influences other because of his special skill, knowledge or other characteristics).

Family

The family is maybe the most influencing factor for an individual. It forms an environment of socialization in which an individual will evolve, shape his personality, acquire values. But also develop attitudes and opinions on various subjects such as politics, society, social relations or himself and his desires. Buyer behavior is strongly influenced by the member of a family. Therefore marketers are trying to find the roles and influence of the husband, wife and children. If the buying decision of a particular product is influenced by wife then the marketers will try to target the women in their advertisement.

Social roles and status

The position of an individual within his family, his work, his country club and his group of friends etc. All this can be defined in terms of role and social status. A social role is a set of attitudes and activities that an individual is supposed to have and do according to his profession and his position at work, his position in the family, his gender, etc. and expectations of the people around him..

For example, a consumer may buy a Ferrari for the quality of the car but also for the external signs of social success that this kind of cars represents. Moreover, it is likely that a CEO driving a small car like a Ford Fiesta or a Volkswagen Golf would be taken less seriously by its customers and business partners than if he is driving a German luxury car. And this kind of behaviors and influences can be found at every level and for every role and social status. Again, many brands have understood it by creating an image associated with their products reflecting an important social role or status.

3. Personal factors

It includes such variables as age and lifecycle stage, occupation, economic circumstances, lifestyle (activities, interests, opinions and demographics), personality and self concept. These may explain why our preferences often change as our 'situation' changes. Decisions and buying behavior are obviously also influenced by the characteristics of each consumer.

Age and way of life

A consumer does not buy the same products or services at 20 or 70 years. His lifestyle, values, environment, activities, hobbies and consumer habits evolve throughout his life. Age and life-cycle have potential impact on the consumer buying behavior. It is obvious that the consumers change the purchase of goods and services with the passage of time. Family life-cycle consists of different stages such young singles, married couples, unmarried couples etc which help marketers to develop appropriate products for each stage. For example, during his life, a consumer could change his diet from unhealthy products (fast food, ready meals, etc.) to a healthier diet, during mid-life with family before needing to follow a little later a low cholesterol diet to avoid health problems.

Lifestyle

The lifestyle of an individual includes all of its activities, interests, values and opinions. The lifestyle of a consumer will influence on his behavior and purchasing decisions. For example, a consumer with a healthy and balanced lifestyle will prefer to eat organic products and go to specific grocery stores, will do some jogging regularly (and therefore will buy shoes, clothes and specific products), etc.

Personality and self-concept

Personality is the set of traits and specific characteristics of each individual. It is the product of the interaction of psychological and physiological characteristics of the individual and results in constant behaviors.

It materializes into some traits such as confidence, sociability, autonomy, charisma, ambition, openness to others, shyness, curiosity, adaptability, etc. While the self-concept is the image that the individual has or would like to have of him and he conveys to his entourage.

For example, since its launch, Apple cultivates an image of innovation, creativity, boldness and singularity which is able to attract consumers who identify to these values and who feel valued in their self-concept by buying a product from Apple.

Occupation

The occupation of a person has significant impact on his buying behavior. For example a marketing manager of an organization will try to purchase business suits, whereas a low level worker in the same organization will purchase rugged work clothes.

Economic Situation

Consumer economic situation has great influence on his buying behavior. If the income and savings of a customer is high then he will purchase more expensive products. On the other hand, a person with low income and savings will purchase inexpensive products.

Lifestyle

Lifestyle of customers is another important factor affecting the consumer buying behavior. Lifestyle refers to the way a person lives in a society and is expressed by the things in his/her surroundings. It is determined by customer interests, opinions, activities etc and shapes his whole pattern of acting and interacting in the world.

4. Psychological factors

It affecting our purchase decision includes motivation (Maslow's hierarchy of needs), perception, learning, beliefs and attitudes. Other people often influence a consumer's purchase decision. The marketer needs to know which people are involved in the buying decision and what role each person plays, so that marketing strategies can also be aimed at these people. Among the factors influencing consumer behavior, psychological factors can be divided into 4 categories: motivation, perception, learning as well as beliefs and attitudes.

Motivation

Motivation is what will drive consumers to develop a purchasing behavior. It is the expression of a need which became pressing enough to lead the consumer to want to satisfy it. It is usually working at a subconscious level and is often difficult to measure. The level of motivation also affects the buying behavior of customers. Every person has different needs such as physiological needs, biological needs, social needs etc. The nature of the needs is that, some of them are most pressing while others are least pressing. Therefore a need becomes a motive when it is more pressing to direct the person to seek satisfaction. Motivation is directly related to the need and is expressed in the same type of classification as defined in the stages of the consumer buying decision process. To increase sales and encourage consumers to purchase, brands should try to create, make conscious or reinforce a need in the consumer's mind so that he develops a purchase motivation. He will be much more interested in considering and buy their products. They must also, according to research, the type of product they sell and the consumers they target, pick out the motivation and the need to which their product respond in order to make them appear as the solution to the consumers need.

Perception

Perception is the process through which an individual selects, organizes and interprets the information he receives in order to do something that makes sense. The perception of a situation at a given time may decide if and how the person will act. Selecting, organizing and interpreting information in a way to produce a meaningful experience of the world is called perception. There are three different perceptual processes which are selective attention, selective distortion and selective retention. In case of selective attention, marketers try to attract the customer attention. Whereas, in case of selective distortion, customers try to interpret the information in a way that will support what the customers already believe.

Selective Attention:

The individual focuses only on a few details or stimulus to which he is subjected. The type of information or stimuli to which an individual is more sensitive depends on the person. For brands and advertisers successfully capture and retain the attention of consumers is increasingly difficult. For example, many users no longer pay any attention, unconsciously, to banner ads on the Internet. This kind of process is called Banner Blindness. The attention level also varies depending on the activity of the individual and the number of other stimuli in the environment. Consumers will also be much more attentive to stimuli related to a need. For example, a consumer who wishes to buy a new car will pay more attention to car manufacturers ads. While neglecting those for computers. Lastly, people are more likely to be attentive to stimuli that are new or out of the ordinary. For example, an innovative advertising or a marketing message widely different from its competitors is more likely to be remembered by consumers.

Selective Distortion:

In many situations, two people are not going to interpret an information or a stimulus in the same way. Each individual will have a different perception based on his experience, state of mind, beliefs and attitudes. Selective distortion leads people to interpret situations in order to make them consistent with their beliefs and values. For brands, it means that the message they communicate will never be perceived exactly in the same way by consumers. And that everyone may have a different perception of it. That's why it's important to

regularly ask consumers in order to know their actual brand perception. Selective distortion often benefits to strong and popular brands. Studies have shown that the perception and brand image plays a key role in the way consumers perceived and judged the product. Several experiments have shown that even if we give them the same product, consumers find that the product is or tastes better when they have been told that it s from a brand they like than when they ve been told it s a generic brand.

Selective Retention:

People do not retain all the information and stimuli they have been exposed to. Selective retention means what the individual will store and retain from a given situation or a particular stimulus. As for selective distortion, individuals tend to memorize information that will fit with their existing beliefs and perceptions. For example, consumers will remember especially the benefits of a brand or product they like and will forget the drawbacks or competing products advantages.

Learning

Learning is through action. When we act, we learn. It implies a change in the behavior resulting from the experience. The learning changes the behavior of an individual as he acquires information and experience. For example, if you are sick after drinking milk, you had a negative experience, you associate the milk with this state of discomfort and you learn that you should not drink milk. Therefore, you don t buy milk anymore.

Rather, if you had a good experience with the product, you will have much more desire to buy it again next time. The learning theories can be used in marketing by brands.

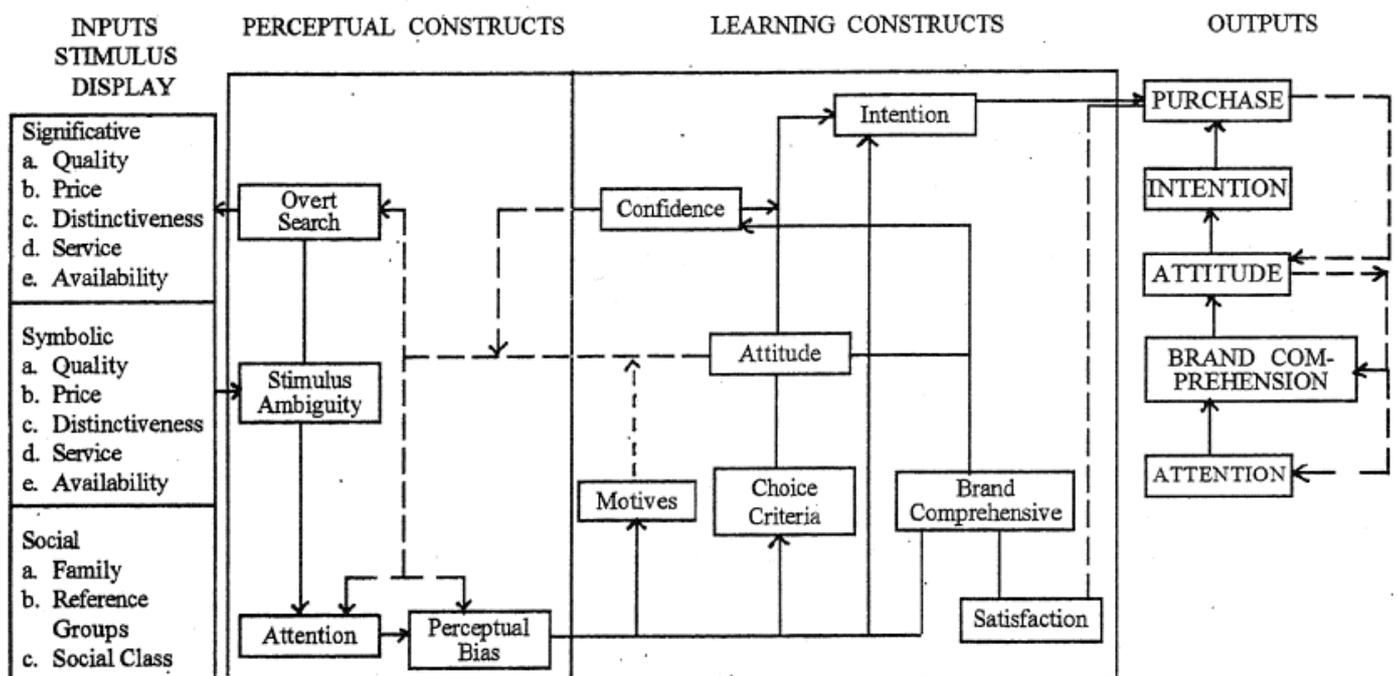
Beliefs and attitudes

A belief is a conviction that an individual has on something. Through the experience he acquires, his learning and his external influences (family, friends, etc..), he will develop beliefs that will influence his buying behavior. Customer possesses specific belief and attitude towards various products. Since such beliefs and attitudes make up brand image and affect consumer buying behavior therefore marketers are interested in them. Marketers can change the beliefs and attitudes of customers by launching special campaigns in this regard.

To change the brand s marketing message or adjust its positioning in order to get consumers to change their brand perception.

Q.3. Draw the block diagram of howard-sheth modal of Consumer Behavior?

Ans.



Q.4. Explain Nicosia model of Consumer Behavior?

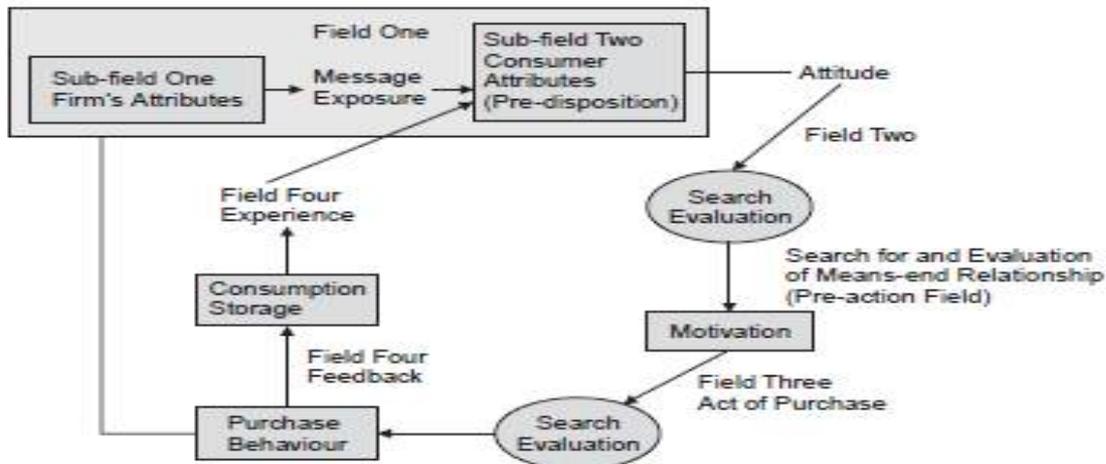


Fig. 20.7 Nicosia model

Ans.

This model explains the consumer behaviour on the basis of four fields shown in the diagram. The output of field one becomes the input of field two, and so on.

Field one consists of subfields one and two. Subfield one is the firm's attributes and the Attributes of the product. The subfield two is the predisposition of the consumer and his own characteristics and attributes, which are affected by his exposure to various information and message, and is responsible for the building of attitude of the consumer.

Field two is the preaction field, where the consumer goes on for research and evaluation and gets motivated to buy the product. It highlights the means and end relationship.

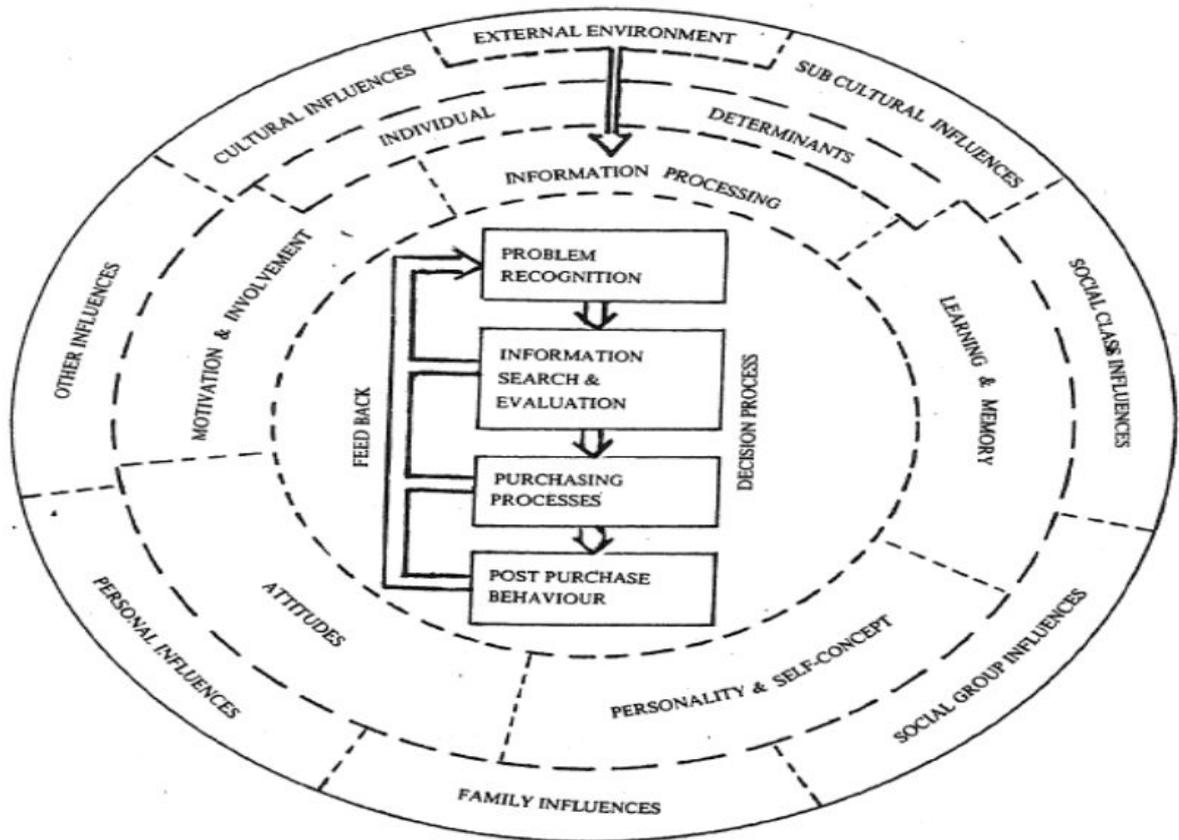
Field three is the act of purchase or the decision-making to buy the product. The customer buys the product and uses it.

Field four highlights the post-purchase behaviour and the use of the product, its storage and consumption. The feedback from field four is fed into the firms attributes or field one, and the feedback from the experience is responsible for changing the pre-disposition of the consumer and later his attitude towards the product.

Nicosia Model is a comprehensive model of dealing with all aspects of building attitudes, purchase and use of product including the post-purchase behaviour of the consumer.

Q.5. Explain Scope of Consumer Behavior?

SCOPE OF CONSUMER BEHAVIOUR



Scope of Consumer Behavior:

1) Consumer behavior and marketing management: Effective business managers realize the importance of marketing to the success of their firm. A sound understanding of consumer behavior is essential to the long run success of any marketing program. In fact, it is seen as a corner stone of the Marketing concept, an important orientation of philosophy of many marketing managers. The essence of the Marketing concept is captured in three interrelated orientations consumers needs and wants, company integrated strategy.

2) Consumer behavior and non profit and social marketing : In today's world even the non-profit organizations like government agencies, religious sects, universities and charitable institutions have to market their services for ideas to the "target group of consumers or institution." At other times these groups are required to appeal to the general public for support of certain causes or ideas. Also they make their contribution towards suppression of the problems of the society. Thus a clear understanding of the consumer behavior and decision making process will assist these efforts.

3) Consumer behavior and government decision making : In recent years the relevance of consumer behavior principles to government decision making. Two major areas of activities have been affected:

i) Government services: It is increasingly and that government provision of public services can benefit significantly from an understanding of the consumers, or users, of these services.

ii) Consumer protection: Many Agencies at all levels of government are involved with regulating business practices for the purpose of protecting consumer's welfare.

4) Consumer behavior and demarketing: It has become increasingly clear that consumers are entering an era of scarcity in terms of some natural gas and water. These scarcities have led to promotions stressing conservation rather than consumption. In other circumstances, consumers have been encouraged to decrease or stop their use of particular goods believed to have harmful effects. Programs designed to reduce drug abuse, gambling, and similar types of conception examples. These actions have been undertaken by government agencies nonprofit organizations, and other private groups. The term "demarketing" refers to all such efforts to encourage consumers to reduce their consumption of a particular product or services.

5) Consumer behavior and consumer education: Consumer also stands to benefit directly from orderly investigations of their own behavior. This can occur on an individual basis or as part of more formal educational programs. For example, when consumers learn that a large proportion of the billions spent annually on grocery products is used for impulse purchases and not spend according to pre planned shopping list, consumers may be more willing to plan effort to save money. In general, as marketers that can influence consumers' purchases, consumers have the opportunity to understand better how they affect their own behavior.