

# **STUDENTS HANDOUT**

**SUBJECT: 161MN801A- CONSUMER BEHAVIOR**

**Compiled By**

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## **COURSE OBJECTIVES:**

- To understand the role of consumer behavior in marketing and to develop the skills to map the consumer's mind set.
- To Identify consumer behavior and to analyze emerging issues in buying behavior.

## **COURSE OUTCOME:**

The student will understand the influences on customer choice and the process of human decision making in a marketing context.

### **Module-I: Theories of Consumer Behaviour:**

Learning Theory, Psychoanalytic theory, Gestalt, Cognitive theory, Psychological field, Black Box model, Distributive approach, implications of these theories, Consumer Decision: Process Approach, Factors, influencing consumer decision making, segmentations, Psychographics and VLS; Diffusion of Innovations.

### **Module-II: Individual Determinants of Behaviour:**

Personality, perception attitude (attitude models), learning, Motivation. Group influence on consumer behavior-Social class, Social Groups, Opinion leaders. Role of social media in shaping consumer behavior, culture and its impact on Consumer behavior, Relevance of culture in making decisions, Characteristics of culture, Cultural Values, Cultural changes, Cross cultural understandings. Family: Role and structure, Family Life Cycle, Purchasing decisions, changing role of families.

### **Module-III: Models of Behaviour:**

Engel- Kollat- Black-well Model. Changing Consumer Behaviour and its dynamics. Consumer Behaviour in online marketing, Characteristics of modern women and Netizens. Consumer decision Journey and stages, Omni Channel Behaviour.

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## **MODULE-1**

### **CONSUMER BEHAVIOUR**

#### **1. Introduction To Consumer Behaviour (CB)**

Consumer behavior is comparatively a new field of study which evolved just after the Second World War. The seller's market has disappeared and buyers' market has come up. This has led to paradigm shift of the manufacturer's attention from product to consumer and specially focused on the consumer behavior. The evaluation of marketing concept from mere selling concept to consumer-oriented marketing has resulted in buyer behavior becoming an independent discipline. The growth of consumerism and consumer legislation emphasizes the importance that is given to the consumer.

##### **1.1 Why studying CB is important for marketers?**

Consumer behaviour is a rapidly growing discipline of study. It means more than just how a person buys products. It is a complex and multidimensional process and reflects the totality of consumers decisions with respect to acquisition, consumption and disposal activities. We, as consumers, exhibit very significant differences in our buying behaviour and play an important role in local, national or international economic conditions. One of the very few aspects common to all of us is that we are all consumers and the reason for a business firm to come into being is the presence of consumers who have unfulfilled, or partially fulfilled needs and wants.

The heterogeneity among people makes understanding consumer behavior a challenging task to marketers. Hence marketers felt the need to obtain an in-depth knowledge of consumers buying behavior. Finally this knowledge acted as an imperative tool in the hands of marketers to forecast the future buying behavior of consumers and devise marketing strategies in order to create long term customer relationship.

Studying CB attempts to answer some basic questions, like:

- ☐ Why do consumers behave in a particular manner?
- ☐ It is impossible to predict the consumer's exact behavior in a given situation?
- ☐ Are consumers are moved by complex set of deep & subtle emotions?
- ☐ What do consumers think about our product & those of our competitors?
- ☐ What do they think of possible improvements in our product?
- ☐ How do they actually use our products?
- ☐ What are their attitudes towards our products?
- ☐ What they feel are their roles in family & society?

##### **1.2 Defining CB**

(a) —The dynamic interaction of affect & cognition, behavior & the environment by which human beings conduct the exchange aspects of their lives — *AMA*.

(b) —Consumer behaviour refers to the actions & decision process of people who purchase goods & services for personal consumption — *Bennett*.

(c) —Consumer behaviour refers to the mental & emotional process & the observable behavior of consumers during searching for, purchasing & post consumption of a product or a service — *Engel, Blackwell & Miniard*.

(d) —The behavior that consumers display in searching for, purchasing, using, evaluating and disposing of products and services that they expect will satisfy their needs — *Schiffman and Kanuk*.

##### **1.3 Customer and Consumer**

The term customer is specific in terms of brand, company, or shop. It refers to person who customarily or regularly purchases particular brand, purchases particular company's product, or purchases from particular shop. Thus a person who shops at Bata Stores or who uses Raymond's clothing is a customer of these firms. Whereas the consumer is a person who generally engages in the activities - search, select, use and dispose of products, services, experience, or ideas.

## Types of Consumers Personal (B2C) and Organizational (B2B)

The term consumer is used for both personal consumers and organizational consumers and represents two different kinds of consuming entities.

(a) **The personal consumer** buys goods and services for her or his personal use (such as cigarettes), or for household consumption (such as sugar, furniture), or for just one member of the family (such as a pair of shoes for the son), or a birthday present for a friend (such as a pen set). In all these instances, the goods are bought for final use, referred as —end users or —ultimate consumers.

(b) **The organizational consumer** includes profit and not-for-profit organizations. Government agencies and institutions (such as local or state government, schools, hospitals etc.) buy products, equipment and services required for running these organizations. Manufacturing firms buy raw materials to produce and sell their own goods. They buy advertising services to communicate with their customers. Similarly, advertising service companies buy equipment to provide services they sell. Government agencies buy office products needed for everyday operations.

## 1.4 Strategic Applications of Consumer Behaviour

Consumer behaviour principles are applied in many areas of marketing as discussed below:

1. **Analyzing market opportunity:** Consumer behaviour study helps in identifying the unfulfilled needs and wants of consumers. This requires examining the trends and conditions operating in the marketplace, consumers lifestyles, income levels and emerging influences. This may reveal unsatisfied needs and wants. The trend towards increasing number of dual income households and greater emphasis on convenience and leisure have led to emerging needs for household gadgets such as washing machine, mixer grinder, vacuum cleaner and childcare centers etc. Mosquito repellents have been marketed in response to a genuine and unfulfilled consumer need.

2. **Selecting target market:** A review of market opportunities often helps in identifying distinct consumer segments with very distinct and unique wants and needs. Identifying these groups, learning how they behave and how they make purchase decisions enables the marketer to design and market products or services particularly suited to their wants and needs. For example, consumer studies revealed that many existing and potential shampoo users did not want to buy shampoo packs priced at 60 or more and would rather prefer a low priced sachet containing enough quantity for one or two washes. This finding led companies to introduce the shampoo sachet which became 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. Here too, consumer behaviour study is very helpful in finding answers to many perplexing questions. (a) Product: The marketer designs the product or service that would satisfy unfulfilled needs or wants. Example: Nestle first introduced Maggi noodles in masala and capsicum flavors. Subsequently, keeping in view the consumer preferences in some regions, the company introduced garlic, sambar and other flavors. (b) Price: The second important component of marketing mix is price. Marketers must decide what price to charge for the product or service. These decisions will influence the flow of revenue to the company. Should the marketer charge the same, higher, or lower price in comparison to competition? Is the consumer price sensitive and would a lower price stimulate sales? (c) Place: The next decision relates to the distribution channel, that is, where and how to offer products and services for sale. Should the products be sold through all the retail outlets or only through selected ones? Example: When Eureka Forbes introduced its vacuum cleaners many years ago, few stores knew anything about this product and most were not willing to buy it. Consumer awareness about the product was also low and no retail shops carried the product. Under these circumstances, the company decided to sell the product only through personal selling, (d) Promotion: Promotion is concerned with marketing communications to consumers. The more important promotion methods are advertising, personal selling, sales promotion, publicity and direct marketing. The marketer has to decide which method would be most suitable to effectively reach the consumers. Should it be advertising alone or should it be combined with sales promotion?

4. **Use in social and non-profits marketing:** Consumer behaviour studies are useful to design marketing strategies by social, governmental and not-for-profit organizations to make their programmes such as family planning, awareness about AIDS, crime against women, safe driving, environmental concerns and others more effective. UNICEF (greeting cards), Red Cross and CRY etc. make use of consumer behaviour understanding to sell their services and products and also try to motivate people to support these institutions.

## **2. Learning Theory**

Learning can be viewed as a relatively permanent change in your behaviour occurring as a result of experience. Schiffman and Kanuk have defined learning, from a marketing perspective, as 'the process by which individuals acquire the purchase and consumption knowledge and experience that they apply to future related behaviour'.

### **2.1 Behavioural Learning Theory**

Behavioural learning theories are sometimes also referred to as connectionist or stimulus –response theories. Behaviorist psychologists believe in observing changes in an individual's responses that result due to exposure to specific external, environmental stimuli. Behavioural theories are based on stimulus-response orientation (S-R) and the belief is that learning occurs through the connection between the stimulus and a response. When an individual responds in a predictable manner to a known stimulus, the person is said to have —learned. Two important behavioural theories, classical conditioning (sometimes called respondent conditioning) and instrumental conditioning (also called operant conditioning) are of great relevance to marketing.

#### **(a) Classical Conditioning**

In everyday life, we think of conditioning as a kind of automatic response to something as a result of repeated exposure to it. Example: If a child gets excited every time she/he thinks of going to MacDonald's, the reaction may be conditioned from many pleasant visits to the restaurant. Classical conditioning pairs one stimulus with another that already elicits a given response and over a period of repeated trials, the new stimulus will also start causing the same or quite similar response.

The Russian psychologist, Ivan Pavlov, was the first who pioneered the study of classical conditioning. He noticed that since his hungry dogs salivated (unconditioned response) at the sight of food (unconditioned stimulus), the connection between food and salivation is not taught and is just a reflex reaction. Pavlov reasoned that a neutral stimulus such as the sound of a ringing bell could also cause the dogs to salivate if it was closely associated with the unconditioned stimulus (food). To test this reasoning, Pavlov rang a bell while giving food to the dogs. After a sufficient number of repetitions, the dogs learned the connection between bell and food. When they heard the bell (conditioned stimulus) even in the absence of food, they salivated (conditioned response).

From classical conditioning emerge three basic concepts important for understanding consumer behaviour: repetition, stimulus generalization, and stimulus discrimination.

(i) **Repetition:** People have a tendency to forget and one proven method of increasing retention of learning is repetition. Repetition is believed to work by strengthening the bond of association and thus slowing the process of forgetting. For example, an advertiser (Fogg advertisement during Cricket World Cup'2019) must be willing to repeat an ad message several times. It is due to this reason that a brand name is often repeated a number of times in just one advertisement. For repetitions beyond a point, the advertiser pays only for fractional increases in consumer learning. Another implication is the effect known as **advertising wear-out**, which is the result of overexposure because of much repetitive advertising leading to individuals, boredom, disinterest and decreased attention and retention of the message.

(ii) **Stimulus Generalization:** As an increasing numbers of new products are introduced in the market, consumers use stimulus generalization from past experience to put them in categories. Some local or regional marketers make use of this principle by using nearly look-alike packaging for their products so that they resemble some well-known brands in appearance. This practice can also be seen, for example, in case of various brands of cooking oils prepared from sunflower or soybean, or different brands of iodised table salt. Some companies follow a policy of stimulus generalization and some others avoid it. Example: Bajaj, Philips, Sony, Lakme, Pepsi and Coke etc. follow a policy of generalization and use family branding Palmolive soap is available in pink, white and light bluish pack. Maggi noodles are available in different flavor's is an example of product line extension.

(iii) **Stimulus discrimination:** It refers to the ability of the firm to differentiate a particular stimulus from among similar stimuli. Marketers always want to differentiate their product/service offerings from the competition and position their brands through an USP. In general, it is more likely that consumers learn to discriminate, if the period of learning is longer, and associate a brand name with a product. Every day consumers are exposed to numerous marketing stimuli, some encouraging stimulus generalization and others

discrimination. The key to achieve stimulus discrimination is effective product or brand positioning. Example: Swiggy Ad showing its USP of no minimum order in order to differentiate itself from other food ordering platforms.

## **(b) Operant Conditioning (Instrumental Conditioning)**

The foremost proponent of instrumental conditioning was B F Skinner. In his experiments, the subjects were free to respond in several ways. Skinner worked with small animals in his experiments, such as rats and pigeons. He developed a box, called after his name as —Skinner box, in which he placed experimental animals. Whenever the animals made suitable movements such as pressed a lever or pecked keys, they received food (reward). Classical conditioning depends on an already established stimulus-response connection; however the learner in instrumental conditioning is required to discover a —correct or appropriate behaviour through trial-and-error that will be reinforced. Over a number of reinforced trials, the experimental animal learns a connection between the lever and key (unconditioned stimulus) and pushing it (response). According to instrumental conditioning learning theory, behaviour is a function of its consequences. With regard to consumer behaviour, instrumental conditioning suggests that most learning takes place by means of a trial-and-error process and consumers experience more satisfying results (outcomes or rewards) in case of some purchases than others. Favorable consequences reinforce the behaviour and increase the likelihood of its repetition, that is, the consumer will purchase the product again; unfavorable outcome will decrease that likelihood.

From operant conditioning emerges the basic concept of reinforcement which is important for understanding consumer behavior.

**Reinforcement:** Reinforcement is anything that increases the strength of response and tends to induce repetitions of the behaviour that preceded it. Reinforcement or repeated positive outcome influences the likelihood that a response will be repeated. Reinforcement includes the aspects of: positive reinforcement negative reinforcement, punishment & extinction.

**(i) Positive reinforcement** consists of events that strengthen and increase the likelihood of specific behaviour by the presentation of a desirable consequence. For example, using a cold remedy that relieves the painful symptoms is likely to result in repeat purchase in future, if there is need.

**(ii) Negative reinforcement** is an undesirable or unpleasant outcome that strengthens and encourages the likelihood of a specific behaviour by the termination or withdrawal of an undesirable consequence. For example, the advertisement of Olay anti-wrinkle cream uses fear appeals relying on negative reinforcement.

**(iii) Punishment** and negative reinforcement are not the same. Punishment is applied to discourage behaviour. For example, fines for driving under the effect of alcohol are a form of punishment to discourage motorists from driving after consuming liquor.

**(iv) Extinction** is the elimination of the link between stimulus and the expected favorable outcome and there is rapid decrease in the probability that the consumer will repurchase the same brand. Behavior is not followed by pleasant consequences and the repetition of response is discouraged. For example, the poor consumer responses to brands such as Koutons & Charlie outlaw.

## **2.2 Cognitive Learning Theory**

Not all learning is the result of repeated trials. a) Learning also takes place as the result of consumer thinking and problem solving. Cognitive learning is based on mental activity. Cognitive learning theory holds that the kind of learning most characteristic of human beings is problem solving and it gives some control over their environment.

### **Information Processing**

The human mind processes the information it receives as input much as a computer does.

Information processing is related to both the consumer's cognitive ability and the complexity of the information to be processed. Individuals differ in terms of their ability to form mental images and in their ability to recall information. The more experience a consumer has with a product category, the greater his or

her ability to make use of product information.

*How Consumers Store, Retain, and Retrieve Information:* The structure of memory—because information processing occurs in stages, it is believed that content is stored in the memory in separate storehouses for further processing; a sensory store, a short-term store, and a long-term store.

☐ **Sensory store**—all data comes to us through our senses, however, our senses do not transmit information as whole images.

- a) The separate pieces of information are synchronized as a single image.
- b) This sensory store holds the image of a sensory input for just a second or two.
- c) This suggests that it's easy for marketers to get information into the consumer's sensory store, but hard to make a lasting impression.

☐ **Short-term store**—if the data survives the sensory store, it is moved to the short-term store.

- a) This is our working memory.
- b) If rehearsal—the silent, mental repetition of material— takes place, then the data is transferred to the long-term store.
- c) If data is not rehearsed and transferred, it is lost in a few seconds.

☐ **Long-term store**—once data is transferred to the long-term store it can last for days, weeks, or even years. Rehearsal and encoding—the amount of information available for delivery from the short-term store to the long-term store depends on the amount of rehearsal an individual gives to it.

- a) Encoding is the process by which we select and assign a word or visual image to represent a perceived object.
- b) Learning visually takes less time than learning verbal information.
- c) How much consumers encode depends on their cognitive commitment to the intake of the information and their gender. Information overload takes place when the consumer is presented with too much information.

### 3. Perceptual Organization – Gestalt Principles

People do not experience the numerous stimuli they select from the environment as separate and discrete sensations. People tend to organize stimuli into groups and perceive them as unified wholes. Gestalt psychology (Gestalt, in German, means pattern or configuration) is the name of the school of psychology that first developed the basic principles of perceptual organization. Three of the most basic principles of perceptual organization are figure and ground, grouping, and closure.

#### ☐ **Figure and Ground**

Stimuli that contrast with their environment are more likely to be noticed. The simplest example is the contrast between a figure and the ground on which it is placed. The figure is usually perceived clearly. The ground is usually perceived as indefinite, hazy, and continuous. The figure is more clearly perceived because it appears to be dominant—the ground appears to be subordinate and less important. Advertisers have to plan their advertisements carefully to make sure that the stimulus they want noted is seen as figure and not as ground. Marketers sometimes run advertisements that confuse the consumer because there is no clear indication of which is figure and which is ground.

#### ☐ **Grouping**

Individuals tend to group stimuli in —chunks rather than as discrete bits of information. Grouping can be used advantageously by marketers to imply certain desired meanings in connection with their products.

#### ☐ **Closure**

Individuals have a need for closure.

- a. As a result, people organize a perception so that they see a complete picture.
- b. If the pattern of stimuli to which they are exposed is incomplete, they tend to perceive it as complete—they fill in the missing pieces. The very act of completion serves to involve the consumer more deeply in the message.



#### **4. Freudian Theory**

Personality consists of the inner psychological characteristics that both determine and reflect how we think and act. Sigmund Freud's psychoanalytic theory of personality is the cornerstone of modern psychology. This theory was built on the premise that unconscious needs or drives, especially biological and sexual drives, are at the heart of human motivation and personality. Freud proposed that the human personality consists of three interacting systems: the id, the superego, and the ego.

##### **Id, Superego, and Ego**

☐ The **Id (impulsive and selfish)** is the —warehouse of primitive and impulsive drives, such as: thirst, hunger, and sex, for which the individual seeks immediate satisfaction without concern for the specific means of that satisfaction.

☐ The **Superego (brake)** is the individual's internal expression of society's moral and ethical codes of conduct. The superego's role is to see that the individual satisfies needs in a socially acceptable fashion. The superego is a kind of —brake that restrains or inhibits the impulsive forces of the id.

☐ The **Ego (internal monitor)** is the individual's conscious control which functions as an internal monitor that attempts to balance the impulsive demands of the id and the socio-cultural constraints of the superego.

Freud emphasized that an individual's personality is formed as he or she passes through a number of distinct stages of infant and childhood development. These distinct stages of infant and childhood development are: oral, anal, phallic, latent, and genital stages. An adult's personality is determined by how well he or she deals with the crises that are experienced while passing through each of these stages.

#### **Structure of Mind: Freud's Id, Ego, and Superego**

As mentioned above Freud came to see personality as having three aspects, which work together to produce all of our complex behaviors: the id, the ego and the superego. As you can see, the Ego and Superego play roles in each of the conscious, subconscious, and unconscious parts of the mind. All 3 components need to be well balanced in order to have good amount of psychic energy available and to have reasonable mental health.

##### **Freudian Theory and Product Personality**

Those stressing Freud's theories see that human drives are largely unconscious, and that consumers are primarily unaware of their true reasons for buying what they buy. These researchers focus on consumer purchases and/or consumption situations, treating them as an extension of the consumer's personality.

#### **5. The Black Box/Stimulus-Response Model**

Another model of consumer behavior, called the stimulus-response or —black box model, focuses on the consumer as a thinker and problem solver who responds to a range of external and internal factors when deciding whether or not to buy. These factors are shown in Figure, below:

As illustrated in the figure above, the external stimuli that consumers respond to include the marketing mix and other environmental factors in the market. The marketing mix (the four Ps) represents a set of stimuli that are planned and created by the company. The environmental stimuli are supplied by the economic, political, and cultural circumstances of a society. Together these factors represent external circumstances that help shape consumer choices.

The internal factors affecting consumer decisions are described as the —black box. This —box contains a variety of factors that exist inside the person's mind. These include characteristics of the consumer, such as their beliefs, values, motivation, lifestyle, and so forth. The decision-making process is also part of the black box, as consumers come to recognize they have a problem they need to solve and consider how a purchasing decision may solve the problem. As a consumer responds to external stimuli, their —black box process choices based on internal factors and determine the consumer's response—whether to purchase or not to purchase.

Like the economic man model, this model also assumes that regardless of what happens inside the black box (the consumer's mind), the consumer response is a result of a conscious, rational decision process. Many marketers are skeptical of this assumption and think that consumers are often tempted to make irrational or emotional buying decisions. In fact, marketers understand that consumer's irrationality and emotion are often what make them susceptible to marketing stimuli in the first place.

For this reason, consumer purchasing behavior is considered by many to be a mystery or —black box. When people themselves don't fully understand what drives their choices, the exchange process can be unpredictable and difficult for marketers to understand.



**6. Approaches to Consumer Decision Making**  
***Views of Consumer Decision Making***

**a) The Economic View** – According to this view a consumer is a rational being and he/she takes decisions which are rational in nature. The individual compares various products, evaluates its benefits and advantages and then makes a purchase decision based on the information collected.

**b) The Passive View** – This view assumes that the consumers take decisions according to the promotional efforts of the marketer and respond directly to the sales and advertisement appeal, offered by the marketers. It is opposite of the economic model in a sense that it assumes that people will evaluate the product based on its promotion.

**c) The Cognitive View** – This view states that consumers make decisions on the basis of their own interests and understanding of the market demand and not according to their rational needs or the promotional efforts of the marketer.

**d) The Emotional View** – According to this view all consumers are emotional in nature and act upon their emotions while making a purchase decision. Consumers make more impulsive purchases when they relate themselves with a product or service.

***Types of Consumer Decisions***

The term consumer decision process brings to mind the image of an individual who is facing a clearly recognized problem and is carefully involved in evaluating the attributes of a set of products, brands, or services and very deliberately and rationally choosing the one that would deliver the maximum satisfaction at the lowest cost. Such a purchase decision begins to resemble a full-time job. For example, a consumer may literally spend days or weeks thinking about an important purchase such as a new house, even to the point of obsession. No doubt, some decisions are made in this manner, but many others involve little conscious effort and consumers seem to make snap decisions based on very little information. Because some purchase decisions are more important than others, the amount of effort consumers put into each one differs. A consumer evaluates the level of effort required to make a certain choice, then selects a strategy best suited for the occasion. This sequence is referred to as constructive processing and means that consumers adjust their degree of cognitive —effort to the task at hand.

A large number of consumer purchase decisions are related to apparently a single problem such as running low on laundry detergent or table salt. At other times, the problem may be associated with discarding the old car causing a feeling of inadequacy and buying a new but economical one to boost self-esteem and more in line with the present job status. The decision process may become further complicated when consumer begins to consider the initial cost and the running cost and evaluates whether to buy a petrol or diesel driven vehicle. Finally, the consumer may end up buying a higher-priced diesel model. In another situation, a consumer noticing a simple need for laundry detergent may want to economize and avoid one or more relatively expensive brand and decide to buy a medium priced brand which is on promotion and gets a small pack of toothpaste free.

There are various types of consumer decision processes. It is useful to view purchase decision involvement as a continuum and as the consumer moves from a low level of involvement with the purchase situation to a high level of involvement, purchase decision making becomes increasingly complex.

***(a) Nominal Decision-making/Routine Response Behavior***

At one end of choice continuum is nominal decision-making, also referred to as nominal problem solving, habitual decision making, or routine problem solving. Recognition of need is likely to lead directly to an intention to buy. Information processing is very limited or non-existent. There is generally low-involvement with most low-priced and frequently purchased products, which are consumed on an ongoing basis and involve nominal decision making. A problem is recognized, consumer's internal search from long-term memory comes up with a single preferred solution, the preferred brand is purchased and no brand evaluation occurs unless the brand fails to perform as expected. Some of these decisions are so nominal that the consumer does not even think of purchasing an alternative brand. For example, a consumer notices that she/he is nearly out of Aquafresh toothpaste. When at the store, the consumer simply picks it up from the shelf or asks for it without any consideration of alternative brands, its price, or other relevant factors. Nominal decision making is generally the outcome of continued satisfaction with a brand which was initially chosen after an extended decision making process, or the consumer does not attach much importance to the product category or

purchase. The consumer buys Aquafresh toothpaste without further consideration because it meets her/his overall needs, even though using the best available toothpaste is important to her/him. In the second situation, consumers may not attach much importance to salt or sugar they buy for household consumption.

### **(b) Limited Decision-making**

Limited decision making is usually more straightforward and simple. It involves internal (long-term memory) and limited external search, consideration of just few alternatives, simple decision rules on a few attributes and little post purchase evaluation. As pointed out earlier, it covers the middle ground between nominal and extended decision making. Buyers are not as motivated to search for information, or evaluate each attribute enthusiastically, but actually use cognitive shortcuts. When the level of consumer involvement is lowest,

limited decision making may not be much different than nominal decision making. For example while in a store, the consumer notices a point-of-purchase display of Nescafe and picks up one pack based on her/his memory that its aroma and taste is good. If the consumer's decision rule is to buy the cheapest brand of instant coffee available, she/he looks at different brands of coffee for prices and buys the least priced brand. Sometimes emotional factors may influence limited decision making. For instance, a consumer may buy Colgate Total toothpaste instead of her/his regular brand just because she/he desires a change and not because of dissatisfaction with earlier brand. Such a decision may involve just reading of what is written on the carton and noticing that it has some different flavor than the brand she/he had been using.

### **(c) Extended Decision-making Process**

Consumer purchases involving extended decision making correspond most closely to the traditional decision making perspective. Such decisions involve extensive internal (long-term memory) and external (outside sources) information search followed by a rigorous evaluation of several alternatives because consumers do not possess any meaningful information about the product or service and need much of it. The evaluation often involves careful consideration of attributes of one brand at a time and taking stock of how the attributes of each brand measure up to a set of desired characteristics. All this happens in response to a high level of consumer's involvement in making a purchase decision. Such complex decisions are relatively few and may relate to buying a computer, stereo system, washing machine, laser printer, or a new house etc. Post purchase evaluation is more likely to be complex and dissonance causing. Extended decision making may also be involved in certain emotional decisions such as choosing a birthday gift for the girl friend, decision to buy jewellery for the wife, choosing a designer dress, or buying a holiday abroad with family etc. Some of these decisions may appear to be related to cognitive effort, however, the needs being met and the criteria being evaluated are largely emotions or feelings rather than product or service attributes. Because of the involvement of emotions or feelings, there is less external information to search for.

## **6.1 A Model of Consumer Decision-Making**

The process of consumer decision-making, featured in the figure, includes the input, process, and output stages of decision-making. The *input stage* of consumer decision-making includes two influencing factors: the firm's marketing efforts (i.e., the product, its price and promotion, and where it is sold) and sociocultural influences (i.e., family, friends, neighbors, social class, and cultural and subcultural entities). This stage also includes the methods by which information from firms and sociocultural sources is transmitted to consumers. The *process stage* focuses on how consumers make decisions. The psychological factors (i.e., motivation, perception, learning, personality, and attitudes) affect how the external inputs from the input stage influence the consumer's recognition of a need, pre-purchase search for information, and evaluation of alternatives. The experience gained through evaluation of alternatives, in turn, becomes a part of the consumer's psychological factors through the process of learning. The *output stage* consists of two post-decision activities: purchase behavior and post-purchase evaluation.

## **6.2 Factors Influencing Consumer Decision Making**

You for sure might be wondering as to what is it that influences these consumers, how do we analyze when is their purchase pattern going to change. Of course only the influencing factors will confirm what will change the consumers buying pattern.

There are four main factors that affect consumer behaviour they are:

**(A) Cultural factors** can be sub divided into:

☐ **Culture:** Culture is a very complex belief of human behaviour it includes the human society, the roles that the society plays, the behaviour of the society, its values customs and traditions. Culture needs to be examined as it is a very important factor that influences consumer behaviour.

☐ **Sub-Culture:** Sub-culture is the group of people who share the same values, customs and traditions. You can define them as the nation, the religion, racial groups and also groups of people sharing the same geographic location

☐ **Social Class:** Society possesses social class; in fact every society possesses one. It is important to know what

social class is being targeted as normally the buying behaviour of a social class is quite similar. Remember not just the income but even other factors describe social class of a group of consumers.

**(B) Social Factors** are subdivided into the following:

☐ **Reference groups:** Under social factors reference groups have a great potential of influencing consumer behaviour. Of course its impact varies across products and brands. This group often includes an opinion leader.

☐ **Family:** The behaviour of a consumer is not only influenced by their motivations and personalities but also their families and family members who can two or more people living together either because of blood relationship or marriage.

☐ **Role and status:** People who belong to different organizations, groups or club members, families play roles and have a status to maintain. These roles and status that they have to maintain also influences consumer behaviour as they decide to spend accordingly.

**(C) Personal/Individual factors** influencing the consumer's behavior are listed below:

☐ **Age and life cycle stage:** Age of a consumer and his life cycle are two most important sub factors under personal factors. With the age and the life cycle the consumers purchase options and the motive of purchase changes, with his decisions of buying products change. Hence this stage does affect consumer behaviour.

☐ **Occupation:** Occupation of a consumer is affects the goods and services a consumer buys. The occupations group has above average interest in buying different products and services offered by organizations. In fact organizations produce separate products for different occupational groups.

☐ **Financial or economic situations:** Everything can be bought and sold with the help of money. If the economic situation of a consumer is not good or stable it will affect his purchase power, in fact if the consumers or the economy of a nation is suffering a loss it defiantly affects the consumers purchase or spending decisions.

☐ **Life style:** People originating from different cultures, sub cultures, occupations and even social class have different styles of living. Life style can confirm the interest, opinions and activities of people. Different life styles affect the purchase pattern of consumers.

**(D) Psychological factors** can be sub-divided into:

☐ **Motivation:** Motivation is activating the internal needs and requirements of the consumer. It can also be described as goals and needs of the consumers. Motivation arouses and directs the consumers towards certain goals. These needs can be psychological needs, needs of security, social needs, esteem needs and also self-actualizing needs.

☐ **Perception:** Perception is sensing the world and the situations around and then taking a decision accordingly. Every individual look as the world and the situations differently. The judging ability and capacity of every individual is different and hence the look at the world differently. This is what separates the decision taking abilities.

☐ **Learning and experience:** Learning is the research of products and services before the consumer takes the decision of buying a product. Learning and self-educating these days is done online and also in groups. Experience is taking a lesson from the past experiences of a product and service. Learning and experience both again play an important role in influencing the consumer's behaviour as it influences their purchase decision.

☐ **Attitude and beliefs:** Attitude is a consumer's favorable and unfavorable emotional condition or emotional feeling, also its tendency of reaction to certain actions and behaviour. Beliefs of people that are the belief that people assume the products to be as make the specifications of the products. Hence attitude and beliefs are also important and need to be taken into consideration while studying human behaviour .

## **7. Psychographics – Values and Life Styles (VALS)**

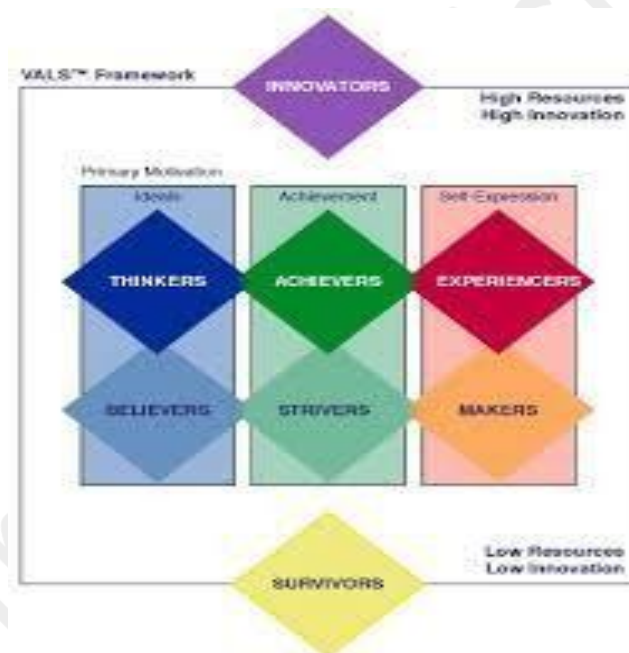
The term psychographics refers to the techniques by which consumer lifestyles are measured and are used in developing lifestyle profiles. Lifestyle involves classifying people according to their values, beliefs, opinions,

and interests. There is no one standardized lifestyle segmentation model, instead market research firms, and advertising agencies are constantly devising new categories, which will best help target possible consumers of their clients products. VAL's groups consumers based on i) Activities: work, hobbies, entertainment, shopping ii) Interests: family, home, community, fashion, media iii) Opinions: themselves, politics, economics, culture.

VALS provides a systematic classification of American adults into eight distinct consumer segments and is based on enduring psychological characteristics that correlate with purchase patterns. Respondents are classified according to their **primary motivation and resources**, which serve as the two dimensions of VALS's. Three primary *motivations* underlie VALS:

- **Ideals motivation.** These consumers are guided in their choices by their beliefs and principles rather than by feelings or desire for social approval. They purchase for functionality and reliability.
- **Achievement motivation.** These consumers strive for a clear social position and are strongly influenced by the actions, approval, and opinions of others. They purchase for status symbols.
- **Self-expression motivation.** These action-oriented consumers strive to express their individuality through their choices. They purchase for experiences.

The second dimension, termed *resources*, reflects the ability of individuals to pursue their dominant self-orientation. It refers to the full range of psychological, physical, demographic, and material means on which consumers can draw. Resources generally increase from adolescence through middle age and then remain relatively stable until they begin to decline with older age. Resources are an important part of VALS because they can aid or inhibit a consumer's ability to act on his or her primary motivation.



On the basis of these two concepts, 8 segments have been identified:

- ▶ ▶ **Innovators** are successful, sophisticated, high self-esteem and image is important to these consumers. They are change leaders and are the most receptive to new ideas and technologies.
- ▶ ▶ **Thinkers** are motivated, conservative, practical, mature, reflective and value knowledge. They actively seek out information in the decision-making process. They favor durability, functionality, and value in products.
- ▶ ▶ **Achievers** are family & career oriented and prefer to purchase prestige products. They avoid situations that encourage a high degree of stimulation or change.
- ▶ ▶ **Experiencers** are self-expressive consumers, young, impulsive, and enthusiastic and value excitement. They spend a comparatively high proportion of their income on fashion, socializing, and entertainment.
- ▶ ▶ **Believers** are family oriented, follow routines but don't have the amount of resources that thinkers have. They are fundamentally conservative, they are slow to change and technology averse.

- ▶ ▶ **Strivers** are achievement motivated, they shop to demonstrate to others their ability to buy. They have little discretionary income and tend to have narrow interests.
- ▶ ▶ **Makers** express themselves through their activities, such as raising children, fixing cars etc. They choose hands-on constructive activities and spend leisure time with family and close friends.
- ▶ ▶ **Survivors** are very low on resources, elderly consumers, concerned with safety, family, and security. They lead narrowly focused lives as they have the fewest resources and do not exhibit a primary motivation.

## **8. Diffusion of Innovations**

### **8.1 Types of innovations and the diffusion process**

1. **Continuous innovation** is a modification of an existing product, where the company makes small changes to position the product & extends the product line.
2. **Discontinuous innovation** comprises —new-to-the-world products only which reshape markets and competition.
3. **Dynamically continuous innovation** is a significant change to an existing product and the changes the customer habits.

The diffusion process is the manner in which innovations spread over time to other consumers through communication across a market. Diffusion research traces the penetration and acceptance of an innovation across its life cycle. A new product's phases of life cycle start from introduction and progress up to its decline in a typical case. With this progression, there are associated categories of adopters by the time of adoption.

The diffusion process identifies innovators in the introductory phase of life cycle; there are early adopters during growth period, the early majority and late majority adopts the product in its maturity period and laggards (late adopters) are the last to adopt the product. These life cycle phases are important because they are linked to different marketing strategies during the product life cycle. During the introductory phase, the marketer's objectives are related to establishing distribution, building brand awareness among members of the target market and encouraging trial to begin the diffusion process. As the product gains some acceptance, the marketer can define its early adopters. It now tries to strengthen its foothold in the market by shifting from the objective of creating brand awareness to one of broadening product appeals and increasing product availability by increasing its distribution.

As the brand matures, competition intensity gradually increases and sales begin to level off. The marketer starts emphasizing price appeals, starts sales promotions and may consider modifying the product to gain competitive advantage. Majority of the adopters enter the market at this stage largely because of the influence of early adopters. The majority that has already gone through the process of product adoption does not rely much on mass media anymore for information. When the brand is viewed to have entered in its decline phase, lower prices become more relevant and the marketer considers revitalizing the brand, or adopts the strategy of harvesting or divesting.

### **8.1 Factors Affecting the Diffusion of Innovation**

The chances of a product's adoption and subsequent diffusion are largely dependent on its nature. The rate at which the diffusion of an innovation takes place is a function of the following ten factors:

1. **Type of Target Group:** The target market for the new product is an important factor in influencing the rate of diffusion. In general, affluent, young and highly educated groups tend to try and accept new products readily.
2. **Number of People Involved in Decision Making:** When two or more family members are involved in making the purchase decision, the diffusion will be slower than innovations that primarily affect one individual.
3. **Extent of Marketing Efforts Involved:** The diffusion of innovation is very significantly influenced by the extent of marketing efforts undertaken. Unless sufficient people are informed and convinced of what it can do for them, the diffusion would be adversely affected.



**4. Need Fulfillment:** The more involving and obvious the need that the innovation satisfies, the faster the diffusion. The rate of diffusion of antidandruff shampoos has been fast as they gained rapid trial among those who were uncomfortable with dandruff.

**5. Compatibility:** This refers to the degree to which the innovation is consistent with the individual's and group's needs, attitudes, beliefs and past experiences. Internet banking was not consistent with established habits of most Indian consumers, resulting in very slow diffusion of this innovation.

**6. Relative Advantage:** While considering the relative product advantage, consumers consider both the cost and the performance. For example, newer versions of laptops have performance advantage over earlier ones and hence their diffusion has been rapid.

**7. Complexity:** If an innovation is difficult to understand and also difficult to use, its diffusion would be slower. Product simplicity and ease of use are important factors in speeding up the process of diffusion. For example most users prefer Windows OS over Linux because the former is more user-friendly.

**8. Observability:** This refers to the ease with which consumers can observe the positive effects of adopting an innovation. The diffusion will be more rapid if the positive effects are easily observable. Products, such as cellular phones, fashion items and autos etc. are highly visible.

**9. Trialability:** It is the degree to which a product can be tried before adoption. This is much less a problem with low-cost or low-risk items such as cold remedies, but cell phones, fax machines and computers etc. can be demonstrated in actual use and tried on a limited scale

**10. Perceived Risk:** The risk in adopting an innovation can be financial, physical, performance, or social. For example, when microwave ovens were introduced, consumers expressed worries about physical risk from radiation; consumer education overcame this perceived risk.

## **8.2 Adoption Process**

The adoption of an innovation requires that an individual or a group of consumers decide on buying a new product. The process of diffusion starts when early adopters influence their reference group members and other acquaintances. Therefore, it is reasonable to view adoption as the first step in the diffusion process. The adoption of an innovation is likely to be a reasonably involving decision for most of those who are among the first to buy the product and can be represented by a hierarchy-of-effects model. Thus, the adoption process is basically a term used to describe extended decision making by consumers when a new product, service, or idea is involved.

## **8.3 Adopter Categories**

Time is an important component of diffusion theory and concerns the time of adoption of an innovation by consumers considering whether consumers are earlier or later adopters and the rate of diffusion, that is, the speed and extent with which individuals and groups adopt the innovation. Everett M Rogers examined more than 500 studies on diffusion and concluded that there are five categories of adopters classified by time of adoption:

❑ **Innovators** constitute, on an average the first 2.5 per cent of all those consumers who adopt the new product and are technology enthusiasts. They seem to have an eagerness bordering almost an obsession to try new products and ideas. They are venturesome and risk takers. Innovators tend to be younger, better educated, have higher incomes, are cosmopolitan and active outside of their community than non-innovators.

❑ **Early adopters** tend to be opinion leaders in local reference groups and represent, on an average, the next 13.5 per cent who adopt the new product. They admire a technologically new product not so much for its features as for its abilities to create a revolutionary breakthrough in the way things are normally accomplished.

Though they are not among the earliest individuals to adopt the product, yet they adopt the product in the early stage of its life cycle.

❑ **The early majority** tend to be deliberate and cautious with respect to innovations and represent 34.0 per cent. They look for innovations that offer incremental, predictable improvements of an existing technology. They adopt innovations earlier than most of their social group but only after the innovation is viewed

successful with others. They rely heavily on interpersonal sources of information and generally tend to buy products after a decline in prices.

**The late majority** are somewhat skeptical about innovations. They are conservative, wary of progress, rely on tradition and generally adopt innovations in response to group norms and social pressure, or due to decreased availability of the previous product rather than positive evaluation of the innovation. They tend to be older, with below average income and education and have less social status and mobility than those who adopt earlier. They tend to place high value on bundled products and end up buying older models of the product.

☐ **Laggards** represent the last 16.0 per cent of adopters and they are the least inclined to rely on the group's norms. Laggards are tradition bound, tend to be dogmatic and make decisions in terms of the past. By the time they adopt an innovation it is superseded by something else. They tend to be suspicious of new products and alienated from a technologically progressing society and adopt innovations with reluctance and are the very last ones to adopt innovations.

## MODULE 2

### PERSONALITY

The word personality derives from the Latin word persona which means mask. The study of personality can be understood as the study of masks that people wear. These are the personas that people not only project and display, but also include the inner parts of psychological experience, which we collectively call our self '. **Personality** consists of the outer physiological as well as the inner psychological characteristics that determine and reflects how a person reacts to his/her environment.

#### **The Nature of Personality**

In our study of personality, three distinct properties are of central importance:

- a) Personality reflects individual differences.
- b) Personality is consistent and enduring.
- c) Personality can change.

#### **a) Personality Reflects Individual Differences**

- 1. An individual's personality is a unique combination of factors; no two individuals are exactly alike.
- 2. Personality is a useful concept because it enables us to categorize consumers into different groups on the basis of a single trait or a few traits.

#### **b) Personality is Consistent and Enduring**

- 1. Marketers learn which personality characteristics influence specific consumer responses and attempt to appeal to relevant traits inherent in their target group of consumers.
- 2. Even though an individual's personality may be consistent, consumption behavior often varies considerably because of psychological, socio-cultural, and environmental factors that affect behavior.

#### **c) Personality can Change**

- 1. An individual's personality may be altered by major life events, such as the birth of a child, the death of a loved one, a divorce, or a major career change.
- 2. An individual's personality also changes as part of a gradual maturing process.

#### **Theories of Personality**

There are three major theories of personality we need to discuss in this lesson. They are:

- a) Freudian theory.
- b) Neo-Freudian personality theory.
- c) Trait theory.

#### **a) Freudian Theory**

Sigmund Freud's psychoanalytic theory of personality is the cornerstone of modern psychology. This theory was built on the premise that unconscious needs or drives, especially biological and sexual drives, are at the heart of human motivation and personality.

#### **Id, Superego, and Ego**

The **Id** is the —warehouse of primitive and impulsive drives, such as: thirst, hunger, and sex, for which the individual seeks immediate satisfaction without concern for the specific means of that satisfaction.

**Superego** is the individual's internal expression of society's moral and ethical codes of conduct. The superego's



role is to see that the individual satisfies needs in a socially acceptable fashion. The superego is a kind of —brake that restrains or inhibits the impulsive forces of the id.

**Ego** is the individual's conscious control which functions as an internal monitor that attempts to balance the impulsive demands of the id and the socio-cultural constraints of the superego.

Freud emphasized that an individual's personality is formed as he or she passes through a number of distinct stages of infant and childhood development. These distinct stages of infant and childhood development are: oral, anal, phallic, latent, and genital stages. An adult's personality is determined by how well he or she deals with the crises that are experienced while passing through each of these stages.

### **Structure of Mind: Freud's Id, Ego, and Superego**

As mentioned above Freud came to see personality as having three aspects, which work together to produce all of our complex behaviors: the id, the ego and the superego. As you can see, the Ego and Superego play roles in each of the conscious, subconscious, and unconscious parts of the mind. All 3 components need to be well balanced in order to have good amount of psychic energy available and to have reasonable mental health.

### **Freudian Theory and Product Personality**

Those stressing Freud's theories see that human drives are largely unconscious, and that consumers are primarily unaware of their true reasons for buying what they buy. These researchers focus on consumer purchases and/or consumption situations, treating them as an extension of the consumer's personality.

### **b) Neo-Freudian Personality Theory**

Several of Freud's colleagues disagreed with his contention that personality is primarily instinctual and sexual in nature. They argued that social relations are fundamental to personality development. Alfred Adler viewed human beings as seeking to attain various rational goals, which he called style of life, placing emphasis on the individual's efforts to overcome feelings of inferiority. Harry Stack Sullivan stressed that people continuously attempt to establish significant and rewarding relationships with others, placing emphasis on efforts to reduce tensions.

Karen Horney focused on the impact of child-parent relationships, especially the individual's desire to conquer feelings of anxiety. She proposed three personality groups: compliant, aggressive, and detached.

- a) **Compliant** individuals are those who move toward others—they desire to be loved, wanted, and appreciated.
- b) **Aggressive** individuals move against others—they desire to excel and win admiration.
- c) **Detached** individuals move away from others—they desire independence, self-sufficiency, and freedom from obligations.

A personality test based on the above (the CAD) has been developed and tested. It reveals a number of tentative relationships between scores and product and brand usage patterns. It is likely that many marketers have used some of these neo- Freudian theories intuitively.

### **c) Trait Theory**

Trait theory is a significant departure from the earlier qualitative measures that are typical of Freudian and neo-Freudian theory. It is primarily quantitative or empirical, focusing on the measurement of personality in terms of specific psychological characteristics called traits. A trait is defined as any distinguishing, relatively enduring way in which one individual differs from another. Selected single-trait personality tests increasingly are being developed specifically for use in consumer behavior studies. The trait theory includes multi-trait and single trait approaches.

### **Multi-Trait Approach**

#### **The Five-Factor Model Approach**

One of the most popular multiple-trait approaches found in both personality psychology and consumer research is the **five-factor model** (FFM) approach. Numerous studies have examined the influence of the traits in the FFM on a wide range of behaviors, both inside and outside the field of consumer research. The FFM proposes that five dominant traits are found in the human personality, including:

1. Extroversion
2. Agreeableness
3. Openness to Experience (also referred to as creativity)
4. Instability (Clinically referred to as Neuroticism)

## 5. Conscientiousness

Extroverted consumers are outgoing and talkative with others. Agreeable consumers are kindhearted to others and sympathetic. Creative consumers are imaginative and enjoy new ideas. Stable consumers tend to be able to control their emotions and avoid mood swings. Conscientious consumers are careful, orderly, and precise. The Five-Factor Model has proven useful in such areas as understanding bargaining and complaining behavior and compulsive shopping. There is evidence that it may have validity across cultures. The advantage of a multitrait approach such as this is the broad picture it allows of the determinants of behavior. For example, suppose research focused on the single dimension of extroversion and found that those who complained about a dissatisfactory purchase tended to be extroverts. What insights does this provide for training those who deal with consumer complaints? What training insights are added if we also learn such people are conscientious? Clearly, the more we know, the better we can satisfy these customers.

### **Single-Trait Approach**

**Personality traits to be discussed in this approach include includes:**

#### **i) Consumer Innovativeness**

Innovators are the first to try new products, product line extensions, and services because they are open to new ideas and practices. Their response to newly introduced products is critical to the success or failure of new products. Consumer innovators are enthusiastic about innovative products and can speed up the market acceptance of innovations, because they tell others about their purchases and often show them the new products.

#### **ii) Dogmatism**

Dogmatism is a personality trait that measures the degree of rigidity an individual displays toward the unfamiliar and toward information that is contrary to their established beliefs. A consumer low in dogmatism is more likely to prefer innovative products to established ones. Consumers high in dogmatism are more accepting of authority-based ads for new products.

#### **iii) Social Character**

Social character is a personality trait that ranges on a continuum from inner-directed to other-directed. Inner-directed consumers tend to rely on their own—inner values or standards in evaluating new products and are innovators. They also prefer ads stressing product features and personal benefits. Other-directed consumers tend to look to others for direction and are not innovators. They prefer ads that feature social environment and social acceptance.

#### **iv) Need for Uniqueness**

Consumers' need for uniqueness is defined as an individual's pursuit of differentness relative to others that is achieved through the acquisition of consumer goods in order to enhance one's personal and social identity. Individuals with a high need for uniqueness adopt new products and brands quicker than others.

Understanding this personality trait is highly pertinent to the fashion industry

#### **v) Optimum Stimulation Level**

Some people prefer a simple, uncluttered, and calm existence, although others seem to prefer an environment crammed with novel, complex, and unusual experiences. Persons with optimum stimulation levels (OSL's) are willing to take risks, to try new products, to be innovative, to seek purchase-related information, and to accept new retail facilities. The correspondence between an individual's OSL and their actual circumstances has a direct relationship to the amount of stimulation individual's desire. If the two are equivalent, they tend to be satisfied. If bored, they are under stimulated, and vice versa.

#### **vi) Need for Cognition**

This is the measurement of a person's craving for or enjoyment of thinking. Consumers who are high in NC (need for cognition) are more likely to be responsive to the part of an advertisement that is rich in product-related information of description. They are also more responsive to cool colors. Consumers who are relatively low in NC are more likely to be attracted to the background or peripheral aspects of an ad. They spend more time on print content and have much stronger brand recall. Need for cognition seems to play a role in an individual's use of the Internet.

#### **vii) Consumer ethnocentrism**

Ethnocentrism is the consumer's willingness to buy or not buy foreign-made products. Highly ethnocentric consumers feel that it is inappropriate or wrong to purchase foreign-made products, because of the resulting economic impact on the domestic economy, whereas non-ethnocentric or less ethnocentric consumers tend to evaluate foreign-made products—ostensibly more objectively—for their extrinsic characteristics.

#### **viii) Visualizers versus Verbalizers**

Visualizers are consumers who prefer visual information and products that stress the visual. Verbalizers are consumers who prefer written or verbal information and products that stress the verbal. This distinction helps marketers know whether to stress visual or written elements in their ads.

**ix) Consumer Materialism**

Materialism is a trait of people who feel their possessions are essential to their identity. They value acquiring and showing off possessions, they are self-centered and selfish, they seek lifestyles full of possessions, and their possessions do not give them greater happiness.

**x) Fixated Consumption**

In the context of consumer behavior, fixated consumption refers to collectors and hobbyists' tendency to accumulate items that are related to their interests and show them off to friends and others with similar interests. People collect anything: from free items, such as matchbooks from hotels and restaurants they have visited around the world, to glass paperweights that cost thousands of dollars, vintage motorcycles and cars, art, and century-old wines.

**The Use of Personality In Marketing Practice**

Sometimes consumers choose products that fit their personality. For example, a timid person might forgo a flashy car because —it's just not me. Other times, consumers use products to bolster an area of their personality where they feel weak. Thus, a timid person who wants to feel more assertive might drive a powerful, flashy sports car. Clearly, products and brands help consumers express their personality. Brand image is what people think of and feel when they hear or see a brand name. A particular type of image that some brands acquire is a brand personality. **Brand personality** is a set of human characteristics that become associated with a brand. It appears that consumers tend to ascribe various descriptive —personality-like traits or characteristics—the ingredients of brand personalities—to different brands in a wide variety of product categories. A brand's personality can either be functional (—provides safety ) or symbolic (—the athlete in all of us ).

Researchers have drawn the following conclusions about brand personality:

- Consumers readily assign human characteristics to brands.
- Brand personalities create expectations about key brand characteristics.
- Brand personalities are often the basis for a long-term relationship with the brand.

**Brand Personification**

A brand personification recasts consumers' perception of the attributes of a product or service into the form of a —humanlike character. It seems that consumers can express their inner feelings about products or brands in terms of association with a known personality. Identifying consumers current brand-personality link or creating one for new products are important marketing tasks. There are five defining dimensions of a brand's personality (—sincerity, —excitement, —competence, —sophistication, and —ruggedness ), and fifteen facets of personality that flow out of the five dimensions (e.g., —down-to-earth, —daring, —reliable, —upper class, and —outdoors ).

**Personality and Color**

Consumers also tend to associate personality factors with specific colors. In some cases, various products, even brands, associate a specific color with personality-like connotations. It appears that blue appeals particularly to male consumers. Yellow is associated with —novelty, and black frequently connotes —sophistication. Many fast-food restaurants use combinations of bright colors, like red, yellow, and blue, for their roadside signs and interior designs. These colors have come to be associated with fast service and food being inexpensive. In contrast, fine dining restaurants tend to use sophisticated colors like gray, white, shades of tan, or other soft, pale, or muted colors to reflect fine leisurely service. Consumers'like or dislike for various colors can differ between countries.

**Self and Self-image**

Self-images, or —perceptions of self, are very closely associated with personality in that individuals tend to buy products and services and patronize retailers with images or —personalities that closely correspond to their own self-images. Such concept as one or multiple selves, self-image, and the notion of the extended self is explored by consumer behavior researchers.

**The Makeup of the Self-Image**

A person has a self-image of him/herself as a certain kind of person.

The individual's self-image is unique, the outgrowth of that person's background and experience. Products and brands have symbolic value for individuals, who evaluate them on the basis of their consistency with their personal pictures or images of themselves. Products seem to match one or more of individual's self-images; other products seem totally alien. Four aspects of self-image are:

1. Actual self-image—how consumers see themselves.
2. Ideal self-image—how consumers would like to see themselves.

3. Social self-image—how consumers feel others see them.
4. Ideal social self-image—how consumers would like others to see them.

**Some marketers have identified a fifth and sixth self-image.**

**1. Expected self-image**—how consumers expect to see themselves at some specified future time. —Ought-to self—traits or characteristics that an individual believes it is his or her duty or obligation to possess. In different contexts consumers might select different self-images to guide behavior. The concept of self-image has strategic implications for marketers.

Marketers can segment their markets on the basis of relevant consumer self-images and then position their products or stores as symbols for such self-images.

### **The Extended Self**

Consumers' possessions can be seen to —confirm or —extend their self-images. The above suggests that much of human emotion can be connected to valued possessions. Possessions can extend the self in a number of ways: **Actually**, by allowing the person to do things that otherwise would be very difficult or impossible to accomplish (e.g., problem-solving by using a computer). **Symbolically**, by making people feel better or —bigger (e.g., receiving an employee award for excellence). **By conferring status or rank** (e.g., status among collectors of rare works of art because of the ownership of a particular masterpiece). **By bestowing feelings of immortality**, by leaving valued possessions to young family members (this also has the potential of extending the recipients —selves). **By endowing with magical powers** (e.g., a cameo pin inherited from one's aunt might be perceived as a magic amulet bestowing luck when it is worn).

### **PERCEPTION**

Perception is the process of selecting, organizing and interpreting information inputs to produce meaning. The above definition of perception lays emphasis on certain features:

Perception is a mental process, whereby an individual selects data or information from the environment, organizes it and then draws significance or meaning from it.

Perception is basically a cognitive or thinking process and individual activities; emotions, feelings etc. are based on his or her perceptions of their surroundings or environment.

Perception being an intellectual and cognitive process will be subjective in nature.

### **The Stages/Process of Perception**

Like computers, we undergo stages of information processing in which we input and store stimuli. Unlike computers, though, we do not passively process whatever information happens to be present. In the first place, we notice only a small number of the stimuli in our environment, simply because there are so many different ones out there vying for our attention. Of those we do notice, we attend to an even smaller number—and we might not process the stimuli that do enter consciousness objectively. Each individual interprets the meaning of a stimulus in a manner consistent with his or her own unique biases, needs, and experiences.

- **Stage 1: Exposure**

Exposure occurs when a stimulus comes within the range of someone's sensory receptors. Consumers concentrate on some stimuli, are unaware of others, and even go out of their way to ignore some messages. We notice stimuli that come within range for even a short time—if we so choose. However, getting a message noticed in such a short time (or even in a longer one) is no mean feat.

- **Stage 2: Attention**

Attention refers to the extent to which processing activity is devoted to a particular stimulus. As you know from sitting through both interesting and —less interesting lectures in the classroom, this allocation can vary depending on both the characteristics of the stimulus (i.e., the lecture itself) and the recipient (i.e., your mental state at the time). Although we live in an —information society, we can have too much.

- **Stage 3: Interpretation**

Interpretation refers to the meanings we assign to sensory stimuli. Just as people differ in terms of the stimuli that they perceive, the meanings we assign to these stimuli vary as well. Many of these meanings depend on our socialization within a society: Even sensory perception is culturally specific.

### **The Nature and Process of Perception**

Information processing is a series of activities by which stimuli are perceived, transformed into information and stored. There are four major stages in the information-processing model, viz., exposure, attention, interpretation and memory. It is the first three, which constitute the perception process. Exposure occurs when a stimulus such as an advertisement comes within range of a person's sensory receptor nerves-vision. Attention occurs when the receptor nerves pass the sensation on to the brain for processing. Target customer allocates cognitive processing capacity i.e. pays attention to ad. Interpretation is the assignment of meaning to the received sensations. Target customer interprets the message i.e. message sent = message received.

Memory is the short-term use of the meaning for the immediate decision-making and the longer-term retention of the meaning. –Target customer stores the advertisement and message in memory so can be accessed when needed. As we can see in the perceptual process in figure there is a linear flow from exposure to memory. But, these processes occur virtually simultaneously and are clearly interactive. It implies that our memory influences the information we are exposed to, attend to, and the interpretation we assign. At the same time, memory itself is being shaped by the information it is receiving. Much of the interpreted information will not be available to active memory when the individual needs to make a purchase decision. The perceptual process consists of many sub processes. We can understand this by taking a note of the input-throughput – output approach. This approach is based on the fact that there is an input, which when processed gives outputs. That is, the perceptual inputs will comprise of stimuli in the environment.

### **Perceptual Processes**

**Perceptual Inputs:** The first process in the perceptual processes the presence of stimuli like people, objects, events, information etc.

**Perceptual mechanism:** We will discuss the mechanism of perception in the next section.

**Perceptual outputs:** The perceptual outputs will be the behavior or actions of the individuals, i.e., the resultant opinions, feelings attitudes etc.

### **Biases in the Perceptual Process**

People can emerge with different perceptions of the same object because of three perceptual processes:

1. **Selective attention**
2. **Selective distortion and**
3. **Selective retention**

**Selective Attention.** People are exposed to a tremendous amount of daily stimuli: the average person may be exposed to over 1500 ads a day. A person cannot possibly attend to all of these; most stimuli will be screened out. Selective attention means that marketers have to work hard to attract consumers' notice. A stimuli is more likely to be attended to if it is linked to an event, satisfies current needs, intensity of input changes (sharp price drop).

**Selective Distortion.** Stimuli do not always come across in the way the senders intend. Selective distortion is the tendency to twist information into personal meanings and interpret information in a way that will fit our preconceptions. Unfortunately, there is not much that marketers can do about selective distortion. Advertisers that use comparative advertisements (pitching one product against another), have to be very careful that consumers do not distort the facts and perceive that the advertisement was for the competitor.

**Selective retention.** People will forget much that they learn but will tend to retain information that supports their attitudes and beliefs. Because of selective retention, we are likely to remember good points mentioned about competing products. Selective retention explains why marketers use drama and repetition in sending messages to their target market. We remember inputs that support our beliefs, forgets those that don't.

### **Elements of Perception**

We will examine some of the basic concepts that underlie the perception process.

**Sensation** is the immediate and direct response of the sensory organs to stimuli (an advertisement, a package, and a brand name). A stimulus is any unit of input to any of the senses.

**Sensory receptors** are the human organs (i.e., the eyes, ears, nose, mouth, and skin) that receive sensory inputs, sight, sound, smell, taste, or touch.

**Human sensitivity refers to the experience of sensation.** Sensitivity to stimuli varies with the quality of an individual's sensory receptors and the amount or intensity of the stimuli to which he/she is exposed.

**Sensation itself depends on energy change, the difference of input.** Thus, a constant environment, whether very busy and noisy or relatively quiet, would provide little sensation because of the lack of change, the consistent level of stimulation.

**As sensory input decreases, the ability to detect changes increases.** This ability of the human organism to accommodate itself to varying levels of sensitivity as external conditions vary not only protects us from damaging, disruptive, or irrelevant bombardment when the input level is high but has important implications



for marketers.

**The Absolute Threshold** - The lowest level at which an individual can experience a sensation is called the absolute threshold. The point at which a person can detect the difference between —something and —nothing is that person's absolute threshold for the stimulus. **Sensory adaptation** is a problem that causes many advertisers to change their advertising campaigns regularly. Marketers try to increase sensory input in order to cut through the daily clutter consumers experience in the consumption of advertising. Some increase sensory input in an effort to cut through the advertising —clutter. Other advertisers try to attract attention by decreasing sensory input.

### ***The Differential Threshold***

The minimal difference that can be detected between two stimuli is called the difference threshold or the JND (just noticeable difference). A 19th century German scientist named Ernst Weber discovered that the JND between two stimuli was not an absolute amount, but an amount relative to the intensity of the first stimulus. Weber's law states that the stronger the initial stimulus, the greater the additional intensity needed for the second stimulus to be perceived as different. Also, an additional level of stimulus, equivalent to the JND must be added for the majority of people to perceive a difference between the resulting stimulus and the initial stimulus. Weber's law holds for all senses and almost all levels of intensity. Retailers use the principle in reducing prices. Markdowns must amount to at least twenty percent to be noticed by shoppers.

### ***Subliminal Perception***

A German ad agency and the broadcaster Sky Deutschland teamed up on a new advertising platform that targets weary commuters who rest their heads against the windows of train cars. They call it the —talking window; it uses —bond conduction technology that emits vibrations the brain reads as sounds. As the commuter starts to nod off, he or she will suddenly hear a voice inside their head that pitches a product. That will get your attention!

Most marketers want to create messages above consumers' thresholds so people will notice them. Ironically, a good number of consumers instead believe that marketers design many advertising messages so they will be perceived unconsciously, or below the threshold of recognition. Another word for threshold is limen, and we term stimuli that fall below the limen subliminal. Subliminal perception refers to a stimulus below the level of the consumer's awareness.

### ***Dynamics of Perception***

a. Physical stimuli from the outside environment, and internal stimuli based on expectations, motives, and learning is based on previous experiences. Because each person is a unique individual, with unique experiences, needs, wants, desires, and expectations, it follows that each individual's perceptions are also unique.

There are three aspects to perceptions—selection, organization, and interpretation of stimuli.

- Individuals are very selective as to which stimuli they —recognize.
- They subconsciously organize the stimuli they recognize according to widely held psychological principles.
- They interpret such stimuli (i.e., they give meaning to them) subjectively in accordance with their needs, expectations, and experiences.

### ***The Nature of the Stimulus***

Marketing stimulus contains an enormous number of variables. Examples include:

- a. Nature of the product.
- b. Its physical attributes.
- c. The package design.
- d. The brand name.
- e. The advertisements and commercials.
- f. The position of a print ad or commercial.
- g. The editorial environment.
- h. Advertisers use extreme attention-getting devices to get maximum contrast and penetrate the consumer's perceptual screen.
- i. Advertisers use color contrasts, size, etc., to create stopping power and gain attention.

**Expectations**

People see what they expect to see. What they expect to see is usually based on familiarity, previous experience, or preconditioned set of expectations. Stimuli that conflict sharply with expectations often receive more attention than those that conform to expectations.

**Motives**

People tend to perceive things they need or want. The stronger the need, the greater the tendency to ignore unrelated stimuli in the environment. An individual's perceptual process attunes itself more closely to those elements of the environment that are important to that person. Marketing managers recognize the efficiency of targeting their products to the perceived needs of consumers.

**Selective Perception**

The consumer's —selection of stimuli (selective perception) from the environment is based on the interaction of expectations and motives with the stimulus itself. Selective exposure—consumers actively seek out messages they find pleasant or with which they are sympathetic.

- Consumers actively avoid painful or threatening messages. Selective attention—consumers have a heightened awareness of the stimuli that meet their needs or interests.
- Consumers have a lower awareness of stimuli irrelevant to their needs.
- People vary in terms of the kind of information in which they are interested and the form of message and type of medium they prefer.

*Perceptual defense*—Threatening or otherwise damaging stimuli are less likely to be perceived than are neutral stimuli. Individuals unconsciously may distort information that is not consistent with their needs, values, and beliefs.

*Perceptual blocking*— consumers screen out enormous amounts of advertising by simply —tuning out.

**Perceptual Organization**

People do not experience the numerous stimuli they select from the environment as separate and discrete sensations. People tend to organize stimuli into groups and perceive them as unified wholes. Gestalt psychology (Gestalt, in German, means pattern or configuration) is the name of the school of psychology that first developed the basic principles of perceptual organization. Three of the most basic principles of perceptual organization are figure and ground, grouping, and closure.

**Figure and Ground**

Stimuli that contrast with their environment are more likely to be noticed. The simplest example is the contrast between a figure and the ground on which it is placed. The figure is usually perceived clearly. The ground is usually perceived as indefinite, hazy, and continuous. The figure is more clearly perceived because it appears to be dominant—the ground appears to be subordinate and less important. Advertisers have to plan their advertisements carefully to make sure that the stimulus they want noted is seen as figure and not as ground.

Marketers sometimes run advertisements that confuse the consumer because there is no clear indication of which is figure and which is ground.

**Grouping**

Individuals tend to group stimuli in —chunks rather than as discrete bits of information. Grouping can be used advantageously by marketers to imply certain desired meanings in connection with their products.

**Closure**

Individuals have a need for closure.

- As a result, people organize a perception so that they see a complete picture.
- If the pattern of stimuli to which they are exposed is incomplete, they tend to perceive it as complete—they fill in the missing pieces. The very act of completion serves to involve the consumer more deeply in the message.

**Perceptual Interpretation**

The interpretation of stimuli is uniquely individual because it is based on what individuals expect to see in light of their previous experience. Stimuli are often highly ambiguous.

- When stimuli are highly ambiguous, individuals usually interpret them in such a way that they serve to fulfill personal needs, wishes, and interests. How close a person's interpretations are to reality depends on the clarity of the stimulus, the past experiences of the perceiver, and his or her motives and interests at the time of perception.

**Perceptual Distortion**

With respect to perceptual distortion, individuals are subject to a number of influences that tend to distort their perceptions.



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**Physical Appearances**— People tend to attribute the qualities they associate with certain people to others who may resemble them. For example attractive models are more persuasive and have a more positive influence on consumer attitudes and behavior than do average-looking models.

**Stereotypes**—Individuals tend to carry —pictures in their minds of the meaning of various kinds of stimuli.

**First Impressions**—These tend to be lasting but formed while the perceiver does not know which stimuli are relevant, important, or predictive.

**Jumping to Conclusions**—Many people tend to jump to conclusions before examining all the relevant evidence or hearing the beginning of an ad and drawing the incorrect conclusion.

**Halo Effect**—Describes situations where the evaluation of a single object or person on a multitude of dimensions is based on the evaluation of just one or a few dimensions.

**Consumer imagery** - Consumers attempt to preserve or enhance their self-images by buying products they believe agree with that self-image and avoiding products that do not agree. This is called consumer imagery.

Consumers tend to shop in stores that have images that agree with their own self-images.

### ***Perceptual Mapping***

Perceptual mapping allows marketers to determine how their products appear to consumers in relation to competitive brands on one or more relevant characteristics. Perceptual mapping enables the marketer to see gaps in the positioning of all brands in the product class and to identify areas in which consumer needs are not being adequately met.

### ***Perceptual Positioning***

So, we know that we often interpret a product stimulus in light of what we've learned about a product category and the characteristics of existing brands. Our perception of a brand comprises both its functional attributes (e.g., its features, its price, and so on) and its symbolic attributes (its image and what we think it says about us when we use it). We'll look more closely at issues such as brand image in later chapters, but for now it's important to keep in mind that our evaluation of a product typically is the result of what it means rather than what it does. This meaning—as consumers perceive it—constitute the product's market position, and it may have more to do with our expectations of product performance as communicated by its color, packaging, or styling than with the product itself.

When a marketer understands how consumers think about a set of competing brands, it can use these insights to develop a positioning strategy, which is a fundamental component of a company's marketing efforts as it uses elements of the marketing mix (i.e., product design, price, distribution, and marketing communications) to influence the consumer's interpretation of its meaning in the marketplace relative to its competitors. For example, although consumer's preferences for the taste of one product over another are important, this functional attribute is only one component of product evaluation.

### **Marketing Application of Perception**

- ***Positioning of Services***

Compared with manufacturing firms, service marketers face several unique problems in positioning and promoting their offerings. Services are intangible; image becomes a key factor in differentiating a service from its competition. The marketing objective is to enable the consumer to link a specific image with a specific brand name. Many service marketers have developed strategies to provide customers with visual images and tangible reminders of their service offerings.

- ***Perceived Price***

How a consumer perceives a price (perceived price)—as high, as low, as fair—has a strong influence on both purchase intentions and purchase satisfaction.

- ***Reference Prices***

A reference price is any price that a consumer uses as a basis for comparison in judging another price. Reference prices can be external or internal. An advertiser generally uses a higher external reference price (—sold elsewhere at... ) in an ad in which a lower sales price is being offered, to persuade the consumer that the product advertised is a really good buy.

- ***Perceived Quality of Products***

Intrinsic cues are concerned with physical characteristics of the product itself, size, color, flavor, etc.

a) Consumers like to think that they base quality evaluations on intrinsic cues, but in reality, they are often unable to identify that product in a taste test.

b) In the absence of actual experience with a product, consumers often evaluate quality on the basis of extrinsic cues, price, brand image, store image, etc. Many consumers use country-of-origin stereotypes to evaluate products.

- ***Perceived Quality of Services***

It is more difficult for consumers to evaluate the quality of services than the quality of products. Service characteristics include—intangibility, variability, and perishability, inseparability, simultaneously produced, and consumed. Consumers are unable to compare services side-by-side as they do products, so consumers rely on surrogate or extrinsic cues when purchasing services. Marketers try to standardize their services in order to provide consistency of quality. Service is consumed as it is being produced. As a result, defective services are difficult to correct. Researchers have concluded that the service quality that a customer perceives is a function of the magnitude and direction of the gap between expected service and the customer's assessment of the service actually delivered.

- ***Price/Quality Relationship***

Perceived product value has been described as a trade-off between the product's perceived benefits (or quality) and perceived sacrifice required to acquire it. A number of research studies support the view that consumers rely on price as an indicator of product quality. Other studies suggest consumers are actually relying on a well-known brand name as a quality indicator. Because price is so often considered to be an indicator of quality, some products deliberately emphasize a high price to underscore their claims of quality. Marketers have used the price/quality relationship to position their products as the top-quality offering in their product category.

a) There is a positive price/quality relationship.

b) Consumers use price as a surrogate indicator of quality if they have little information or little confidence in their ability to make a choice.

- ***Retail Store Image***

Retail stores have their own images that influence the perception of the quality of the products they carry. Studies show consumers perceive stores with small discounts on a large number of products as having lower-priced items than stores that offer large discounts on a small number of products. The width of product assortment also affects retail store image. The type of product the consumer wishes to buy influences his or her selection of retail outlet, conversely, the consumer's evaluation of a product often is influenced by the knowledge of where it was bought.

- ***Manufacturer's Image***

Consumer imagery extends beyond perceived price and store image to the producers themselves. Manufacturers who enjoy a favorable image generally find that their new products are accepted more readily than those of manufacturers who have a less favorable or even a —neutral image. Today, companies are using advertising, exhibits, and sponsorship of community events to enhance their images.

## **CONSUMER ATTITUDES**

An **attitude** describes a person's relatively consistent evaluations, feelings, and tendencies towards an object or an idea. Attitudes put people into a frame of mind for liking or disliking things and moving toward or away from them. Companies can benefit by researching attitudes towards their products. Understanding attitudes and beliefs is the first step toward changing or reinforcing them. Attitudes are very difficult to change. A person's attitudes fit into a pattern, and changing one attitude may require making many difficult adjustments. It is easier for a company to create products that are compatible with existing attitudes than to change the

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attitudes toward their products. There are exceptions, of course, where the high cost of trying to change attitudes may pay off.. We can now appreciate the many individual characteristics and forces influencing consumer behavior. Consumer choice is the result of a complex interplay of cultural, social, personal, and psychological factors. We as marketers cannot influence many of these; however, they help the marketer to better understand Customer's reactions and behavior.

Attitudes are defined as a mental predisposition to act that is expressed by evaluating a particular entity with some degree of favor or disfavor. The value of attitude in marketing can be explained in terms of its importance in prediction, diagnostic value and also as relatively inexpensive information that is easily obtained.

### Models of Attitude

#### 1. Tri-component Attitude Model

According to the tri-component attitude model, attitude consists of three major components, viz., a cognitive component, an affective component, and a behavioral (conative) component.

**a. The cognitive component:** The cognitive component consists of a person's cognitions, i.e., knowledge and perceptions (about an object). The cognitive component consists of a consumer's beliefs about an object. For most attitude objects, people have a number of beliefs. For example, an individual may believe that Monster Energy drink: • Are popular with younger consumers • Provide consumers with lots of energy • Contain a lot of vitamins • Are priced competitively with other energy drinks. • Are made by a sports-oriented company.

**b. The affective component:** Feelings or emotional reactions to an object represent the affective component of an attitude. A consumer who states —I like Diet Coke or —Diet Coke is a terrible soda is expressing the results of an emotional or affective evaluation of the product. Affective reactions to a specific product or benefit can vary by situation and individual. For example, a consumer's belief that Diet Coke has caffeine may result in positive feelings if he or she needs to stay awake to work late but negative feelings if he or she wants to get to sleep quickly.

**c. The behavioral (conative) component:** The behavioral component of an attitude is one's tendency to respond in a certain manner toward an object or activity. A series of decisions to purchase or not purchase Diet Coke or to recommend it or other brands to friends would reflect the behavioral component. Brand interest, as represented by tendencies to seek out the brand on store shelves or search for brand information, also reflects the behavioral component.

### Multi-attribute Attitude Models

Multi-attribute attitude models portray consumers attitudes with regard to an attitude —object as a function of consumers' perceptions and assessment of the key attributes or beliefs held with regard to the particular attitude —objects .

#### 1) Attitude toward object model (ATO)

The attitude-toward-object model maintains that a consumer's evaluation of a product is a function of:

1. The extent to which the product has (or lacks) each of a given set of attributes.
2. The importance of each of these attributes to the consumer.

In other words, consumers generally have favorable attitudes toward those brands that they believe have better performance on the attributes that they view more important than other brands, and unfavorable attitudes toward those brands that they feel do not meet these criteria. In a study done to illustrate this model, an individual rated three apartment complexes - *City Pointe*, *Crown View*, and *Kings Landing*, along 5 attributes. These ratings represent the individual's beliefs regarding the extent to which each brand possesses a specific attribute. Subsequently, the individual multiplied the importance —weights by the ratings for each apartment.

### Implications of ATO Approach

Information obtained from this model has important marketing implications. First, we note that attitude research is most often performed on entire market segments rather than on individuals. Marketing researchers would generally want to understand how an entire segment of consumers feel about apartment

complexes. Information would be gathered from a sample of several consumers in the segment. An equally important issue for managers would be learning if consumers believe that products offer relevant attributes. This is why marketers need to perform extensive research up front to gain clear understanding of attributes that are highly valued, and then develop their products and services around these features.

## **2) The theory of reasoned action (behavioral intentions model) TORA**

This has been offered as an improvement over the ATO model. This model differs from the attitude-toward-the-object model in a number of important ways. First, rather than focusing explicitly on attitudes, the model focuses on **intentions** to behave/act in some way. Second, the model adds a component that assesses the consumer's perceptions of what other people think they should do. This is referred to as the **subjective norm**. Finally, the model explicitly focuses on the consumer's attitude toward the behavior of buying rather than the attitude toward the object.

### **Implications of TORA Approach**

For marketers, a clear understanding of the perceived consequences of product selection is crucial. Researchers must determine the consequences that are highly valued by their targeted consumer segments. Consumers don't always select products for the most predictable reason. Renters don't always choose an apartment based on rent or location. They may rent based largely on pet policies. Marketing managers should also pay close attention to the subjective norm component of the model. Word-of-mouth communications are becoming critical for marketers. What do referent others think that the consumer should do? To what extent are they motivated to comply with the input of these people? The answers to these questions are quite valuable.

#### **Attitude Formation and Change**

I. How are attitudes formed?

We examine attitude formation by dividing into three areas: how attitudes are learned, the sources of influence on attitude formation, and the impact of personality on attitude formation.

II. How attitudes are learned:

- 1) The shift from having no attitude toward a given object to having an attitude is learned. The learning may come from information exposure, consumers own cognition (knowledge or belief), or experience.
- 2) Consumers may form an attitude before or after a purchase. Sources of influence on attitude formation: personal experience, friends and family, direct marketing, or mass media.
- 3) Personality factors: such as high/low need for cognition (information seeking), and social status consciousness

#### **Learning of Attitudes**

By formation of attitude, we mean a situation, where there is a shift from having no attitude towards a given object to having some attitude toward it. This shift from no attitude to an attitude or the formation of attitude is a result of learning. Attitudes are generally formed through:

- Repeated exposure to novel social objects,
- Classical conditioning,
- Operant conditioning and
- Exposure to live and symbolic models.

Consumers generally purchase new products that are associated with a favorably viewed brand name. Their favorable attitude toward the brand name is frequently the result of repeated satisfaction with other products produced by the same company. In terms of classical conditioning, an established brand name is an unconditioned stimulus that has resulted in a favorable brand attitude through past positive reinforcement. A new product, which is yet to be linked to the established brand, would be the conditioned impulse. For example, by giving a new anti-wrinkle lotion the benefit of its well-known and respected family name, Johnson & Johnson may be counting on an extension of the favorable attitude already associated with the brand name to the new product. They are counting on stimulus generalization from the brand name to the new product. It has been shown by research that the —fit between a parent brand like in the case of Olay and a brand extension, for instance, Olay's anti-wrinkle, is a function of two factors: (1) the similarity between the pre-existing product categories already associated with the parent brand and the new extension, and (2) the —fit or match between the images of the parent brand and the new extension. At times, attitudes follow the purchase and consumption of a product. For example, a consumer may purchase a brand-name product without having a prior attitude towards it, because it is the only product available like the last bottle of shampoo in a hotel store). Consumers sometimes make trial purchases of new brands from product categories in which they have little personal involvement. If they find the purchased brand to be satisfactory, then they are likely to develop a favorable attitude toward it.

## Strategies for Changing Attitudes (Refer Slide)

### The Elaboration Likelihood Model (ELM)

A popular approach for conceptualizing attitude change is found in the elaboration likelihood model (ELM) which illustrates how attitudes are changed based on differing levels of consumer involvement. Numerous research studies have examined the usefulness of the ELM in explaining the attitude change process. According to the ELM, a consumer begins to process a message as soon as it is received. Depending on the level of involvement and a consumer's ability and motivation to process a message, the persuasion process then follows one of two routes: a **central route** or a **peripheral route**.

If consumers find that the incoming message is particularly relevant to their situation (and thus highly involved), they will likely expend considerable effort in comprehending the message. In this case, high-involvement processing occurs, and the **central route to persuasion** is activated. Here, the consumer develops a number of thoughts (or cognitive responses) regarding the incoming message. In the central route, the consumer relies on **central cues**. **E.g.** - An experienced photographer who sees an advertisement for Sony cameras. The arguments presented in the ad are critical. The photographer will consider the arguments and compare them to his current beliefs. He may even form counterarguments against the ad. For example, he may think —Canons are better. Or, he may think —Sony cameras really are better than Canons after all.

If consumers are not involved with a message or lack either the motivation or ability to process information, the **peripheral route to persuasion** will be followed. In this route, consumers are unlikely to develop cognitive responses to the message and are more likely to pay attention to things like the attractiveness of the person delivering the message, the number of arguments presented, the expertise of the spokesperson, and the imagery

or music. These elements of the message (that is non-product-related information) are referred to as **peripheral cues**. **E.g.** Many products, ranging from alcohol to deodorant to clothing, use peripheral cues in their advertisements. If the consumer is influenced more by peripheral cues than central cues, any resulting belief or attitude change will likely be only temporary.

### MOTIVATION

**Motivation** is the reason for behavior. A **motive** is a concept representing an unobservable inner force that stimulates and compels a behavioral response and provides specific direction to that response. A motive is why an individual does something. The terms *need* and *motivation* are often used interchangeably. This is because when a consumer feels a gap between a desired state and his or her actual current state, a need is recognized and experienced as a drive state referred to as motivation. Needs and motives influence what consumers perceive as relevant and also influence their feelings and emotions. For example, a consumer who feels hungry is motivated to satisfy that need, will view food and ads for food as personally relevant, and will experience negative emotions prior to eating and positive emotions after eating.

Motivation is concerned with:

- ☐ Needs—the most basic human requirement
- ☐ Drives—tells how these needs translate into behavior
- ☐ Goals—what these behavior aim to achieve

#### Types of Needs

**a. Physiological (or primary) needs:** Those needs, which are innate or biogenic needs and sustain life. E.g., food and air

**b. Psychological needs:** Personal competence

**c. Learned (secondary or cultural) needs:** Acquired needs

#### Needs Arousal

Needs are aroused by four distinct stimuli:

- Physiological
- Cognitive
- Environmental

- Emotional

## What Determines Customer Needs?

### *Personal characteristics of the individual*

**Genetics** – the branch of science dealing with heredity and chemical/biological characteristics – E.g. food allergies

**Biogenics** – characteristics that individuals possess at birth – E.g. gender and race

**Psychogenic** – individual states and traits induced by a person's brain functioning – E.g. moods and emotions.

**Physical characteristics of environment** - E.g. Climate, including temperature, attitude and rainfall.

## What Determines Customer Wants?

### 1. The individual context

Personal worth or the financial resources available to the individual – E.g. luxury versus budget cars

Institutional context – the groups and organizations that a person belongs – E.g. teen clothing styles

Cultural context – the influence of a customer's culture and cultural values – E.g. ethnic foods

### 2. The Environmental Context

- Economy
- Technology
- Public Policy

## Theories of Motivation

### A) Maslow's Hierarchy of Needs

**Abraham Maslow hypothesized that within every human being there exists a hierarchy of five needs:**

**I. Physiological:** Food, water, sleep, and, to an extent, sex are physiological motives.

*Products* Health foods, medicines, sports drinks, low-cholesterol foods, and exercise equipment.

*Themes* BAND-AID: —Blister-proof your feet.

Quaker Oats: —Eating oatmeal is good for your heart.

NordicTrack: —Only NordicTrack gives you a total-body workout.

**II. Safety:** Seeking physical safety and security, stability, familiar surroundings, and so forth are manifestations of safety needs.

*Products* Smoke detectors, preventive medicines, insurance, retirement investments, seat belts, burglar alarms, and sunscreen.

*Themes* Sleep Safe: —We've designed a travel alarm that just might wake you in the middle of the night—because a fire is sending smoke into your room. You see, ours is a smoke alarm as well as an alarm clock.

Partnership for a Drug-Free America: —Heroin: Dying's the Easy Part.

State Street Investing: —Precise in a world that isn't.

**III. Belongingness:** Belongingness motives are reflected in a desire for love, friendship, affiliation, and group acceptance.

*Products* Personal grooming, foods, entertainment, clothing, and many others.

*Themes* Olive Garden Restaurants: —When You're Here, You're Family.

Tums: —You are important. You are loved. You should take your calcium.

Grand Marnier: —Add flavor to good company.

**IV. Esteem:** Desires for status, superiority, self-respect, and prestige are examples of esteem needs. These needs relate to the individual's feelings of usefulness and accomplishment.

*Products* Clothing, furniture, liquors, hobbies, stores, cars, and many others.

*Themes* Sheaffer: —Your hand should look as contemporary as the rest of you.

New Balance: —One more woman chasing a sunset. One more woman going a little farther. One more woman simply feeling alive. One less woman relying on someone else.

BMW: —The Ultimate Driving Machine.

**V. Self-Actualization:** This involves the desire for self-fulfillment, to become all that one is capable of becoming.

*Products* Education, hobbies, sports, some vacations, gourmet foods, museums.



Themes U.S. Navy: —Accelerate Your Life.

Gatorade: —Is it in you?

Outward Bound School: —Minds in Motion.

## B) Sheth's Five Needs

- **Functional needs** —Those needs which satisfy a physical/functional purpose, e.g. soap
- **Social needs** —Needs that allow identification with desired group, e.g. logos
- **Emotional needs** —Those needs which, create appropriate emotions, e.g. joy on getting gift
- **Epistemic needs** —The Need for knowledge/information, e.g. newspaper
- **Situational needs** —The needs, which are contingent on time/place, e.g. emergency repairs

## C) MC CLELLAND'S Three Needs Theory

As we know, having studied this before McClelland had identified three types of needs: Need for achievement, Need for Power, and Need for affiliation

1. **Need for achievement:** drive to excel: drive to achieve in relation to a set of standards; to strive to succeed.
2. **Need for power:** the need to make others behave in a way that they would not have behaved otherwise.
3. **Need for affiliation:** the desire for friendly and close interpersonal relationships.

### Motives and Motivation

Now that we know about needs and wants in details, we need to now move on the motivation. But before going into an in-depth discussion on these, we will first understand the distinct meanings of the three interrelated terms motives, motivating, and motivation.

**Motives:** Motives give direction to human behavior. We can say that a motive is an inner state that energizes, activates, or moves and directs or channels behavior towards the goal.

**Motivating:** This implies an activity engaged into by an individual, by which he or she will channelize the strong motives in a direction that is satisfactory.

**Motivation:** Motivating can be described as the driving force within individuals that impels them into action. For instance, at the basic level, our body has a need (say hunger), which will translate into a drive (here the drive will be to obtain food) and the goal will be to satisfy the need (in this example to feel full in the stomach).

### Positive or Negative Motivation

Motivation can be either positive or negative. A positive motivation happens when an individual experiences a driving force towards an object or person or situation. This is also called person motivation. On the other hand, a driving force compelling the person to move away from someone or something will be known as negative motivation.

### Consumer Motivation

The study of **Consumer Motivation** essentially addresses the question: —Why do people shop? The answer, really, is that people shop for a variety of reasons and it is very difficult to make generalizations. Shopping for food can, on one level, be seen as satisfying some basic survival need. The problem with that, however, is that most of us buy far more food than we would actually need for basic subsistence and many of the items we purchase in a supermarket are —luxuries (relatively speaking).

#### Personal Motives

**Role Playing** — some shopping activities are associated with a particular role in society (housewife, mother, student, etc).

**Diversion** — shopping can be a form of recreation, or an escape from daily routine.

**Self-Gratification** — shopping can be mood-related, for instance where people engage in —retail therapy to cheer them up or alleviate depression.

**Learning** — shopping is an ideal way to learn about new fashions and trends.

**Physical Activity** — for some people, a stroll around the mall can be their main form of exercise.

**Sensory Stimulation** — shoppers often report that they enjoy handling merchandise, the sounds of background music, the scents of perfume counters, etc, and visit stores or malls to indulge in this.

#### Social Motives

**Social Interaction** — people enjoy the opportunities for social interaction with friends, strangers, sales staff, etc.

**Peer Affiliation** — certain shops allow customers mix with key reference groups; e.g. people with shared interests, members of a social category they either belong to or aspire to etc.

**Status & Authority** — shopping experiences are sometimes seen as ways of commanding respect and attention; e.g. during encounters with sales staff.



**Pleasure of Bargaining** – some shoppers love to —haggle , a way of obtaining goods at a better price or of priding oneself on the ability to make —wise purchases. The above categories are by no means mutually exclusive. Some 70% of the population visits a shopping mall at least once per week and they are liable to do so for a variety of reasons at any one time. Shopping is certainly far more than merely going to a store to buy a product one needs or wants – people often go to the mall with no intentions of spending any money at all!

### Customer Moods

Moods are emotions felt less intensely and are short-lived. Marketing stimuli can induce positive or negative moods:

- . Ambience of store or service delivery facility
- . Demeanor of salesperson
- . Sensory features of the product
- . Tone and manner of advertising
- . Content of message from salesperson or ad

### Hedonic Consumption

Hedonic consumption is use of products/services for intrinsic enjoyment rather than to solve a problem in the physical environment. It creates pleasure through the senses:

- . Sensory pleasure from a bubble bath
- . Aesthetic pleasure from an original work of art
- . Emotional experience from a scary movie
- . Fun and enjoyment from playing sport.

**How involved with the product are most prospective buyers in the target market segment?** Involvement is used here in a more precise way than in everyday language and refers to the degree to which people regard the product as important and personally relevant. As indicated in the class, the more involved a person is with a product, the more likely they are to engage all the stages of the PDP and expend time and effort on making a choice. Conversely the less involved they are, the more likely it is that they will do less searching and less evaluation of alternatives. The implications of this are significant. If people will do only a small amount of searching for information you will have an advantage if you provide them with relevant information and make it available to them in an appropriate way and your competitors do not. For instance, it may be highly beneficial to offer inducements to salespeople in retail outlets to provide information about your brand if that information alone is largely all that is going to be used to decide which to purchase. Alternatively one might try to influence the degree of involvement people have with a product. For instance the linkage between toothpaste and —cavity prevention created through advertising and the advice of dentists is an attempt to increase the importance people attach to using toothpaste.

### Motivational Conflicts & Marketing Strategies

With the many motives consumers have, there are frequent conflicts between motives. Resolution of a motivational conflict often affects consumption patterns. In many instances, the marketer can analyze situations that are likely to result in a motivational conflict, provide a solution to the conflict, and thus encourage purchase of their brand. We address the three key types of motivation conflict:

☐ **Approach–Approach Motivational Conflict** A consumer who must choose between two attractive alternatives faces **approach–approach conflict**. The more equal the attractions, the greater the conflict. A consumer who recently received a large cash gift for graduation (situational variable) might be torn between a trip to Hawaii (perhaps powered by a need for stimulation) and a new mountain bike (perhaps driven by the need for assertion). This conflict could be resolved by a timely ad designed to encourage one or the other action. Or a price modification, such as —buy now, pay later, could result in a resolution whereby both alternatives are selected.

- ☐ **Approach–Avoidance Motivational Conflict** A consumer facing a purchase choice with both positive and negative consequences confronts **approach–avoidance conflict**. Consumers who want a skin-tan but don't want to risk the skin damage and health risks associated with extended sun exposure face this situation. Neutrogena's Instant Bronze sunless tanner resolves this problem by allowing consumers the aesthetic and social benefits of having a tan (approach) without the risk of skin cancer (avoidance).
- **Avoidance–Avoidance Motivational Conflict** A choice involving only undesirable outcomes produces

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**avoidance—avoidance conflict.** When a consumer's old washing machine fails, this conflict may occur. The person may not want to spend money on a new washing machine, or pay to have the old one repaired, or go without one. The availability of credit is one way of reducing this motivational conflict.

Advertisements emphasizing the importance of regular maintenance for cars, such as oil filter changes, also use this type of motive conflict: —Pay me now, or pay me (more) later.

### GROUPS, REFERENCE GROUPS AND SOCIAL CLASS

Like almost all behavior, an individual's social relationships are often motivated by the expectation that they will help in the satisfaction of specific needs. For example, a person might become a volunteer ambulance driver to satisfy a need for community recognition. Another person might join a computer club in an effort to find compatible friends to satisfy social needs. A third person might join a health food cooperative to obtain the benefits of group buying power. These are just a few of the almost infinite number of reasons why people involve themselves with others.

#### What Is A Group?

A group may be defined as two or more people who interact to accomplish some goals. Within the broad scope of this definition are both an intimate —group of two neighbors who informally attend a fashion show together and a larger, more formal group, such as a neighborhood.

#### Types of Groups

To simplify our discussion, we will consider four different types of group classification: primary versus secondary groups, formal versus informal groups, large versus small groups, and membership versus symbolic groups.

##### 1. Primary versus Secondary Groups

If a person interacts on a regular basis with other individuals (with members of his or her family, with neighbors, or with co-workers whose opinions are valued), then these individuals can be considered as a primary group for that person. On the other hand, if a person interacts only occasionally with such others, or does not consider their opinions to be important, then these others constitute a secondary group for that person.

From this definition, it can be seen that the critical distinctions between primary and secondary groups are the frequency with which the individual interacts with them and the importance of the groups to the individual.

##### 2. Formal versus Informal Groups

Another useful way to classify groups is by the extent of their formality; that is, the extent to which the group structure, the members roles, and the group's purpose are clearly defined. If a group has a highly defined structure (e.g., a formal membership list), specific roles and authority levels (a president, treasurer, and secretary), and specific goals (to support a political candidate, improve their children's education, increase the knowledge or skills of members), then it would be classified as a formal group.

The local chapter of the American Red Cross, with elected officers and members who meet regularly to discuss topics of civic interest, would be classified as a formal group.

On the other hand, if a group is more loosely defined, if it consists, say, of four women who were in the same college sorority and who meet for dinner once a month, or three co-workers who, with their spouses, see each other frequently then it is considered an informal group.

##### 3. Large versus Small Groups

It is often desirable to distinguish between groups in terms of their size or complexity. A large group might be thought of as one in which a single member is not likely to know more than a few of the group's members personally, or be fully aware of the specific roles or activities of more than a limited number of other group

members. Examples of large groups include such complex organizations as General Motors, with its numerous subordinate divisions, and the American Bar Association, with its many state, county, and city chapters.

In contrast, members of a small group are likely to know every member personally and to be aware of every member's specific role or activities in the group. For example, each staff member of a college newspaper is likely to know all the other members and be aware of their duties and interests within the group.

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In the realm of consumer behavior, we are principally concerned with the study of small groups, since such groups are more likely to influence the consumption behavior of group members.

### 4. Membership versus Symbolic Groups

Another useful way to classify groups is by membership versus symbolic groups. A membership group is a group to which a person either belongs or would qualify for membership. For example, the group of women with whom a young homemaker plays golf weekly or with whom she hopes to play golf when an opening occurs would be considered, for her, a membership group.

In contrast, a group in which an individual is not likely to receive membership, despite acting like a member by adopting the group's values, attitudes, and behavior, is considered a symbolic group. Clearly, actual membership groups offer a more direct, and thus a more compelling, influence on consumer behavior.

In summary, we can say that small, informal, primary membership groups are of the great interest to marketers because they exert the greatest potential influence on consumer purchase decisions.

### Consumer-Relevant Groups

To more fully comprehend the kind of impact that specific groups have on individuals, we will examine six basic consumer-relevant groups: the Family, Friendship groups, Formal social groups, Shopping groups, Consumer action groups and Work groups.

#### The Family

An individual's family is the most important group to influence his or her consumer decisions. The family's importance in this regard is due to the frequency of contact that the individual has with other family members and that the family has a greater extent of influence on the establishment of a wide range of values, attitudes, and behavior.

#### Friendship Groups

Friendship groups are informal groups because they are, usually unstructured and lack specific authority levels. In terms of relative influence, after an individual's family, it is friends who are most likely to influence the individual's purchase decisions.

Seeking and maintaining friendships is a basic drive of most people. Friends fulfill a wide range of needs: they provide companionship, security, and opportunities to discuss problems that an individual may be reluctant to discuss with members of his or her own family. Friendships are also a sign of maturity and independence, for they represent a breaking away from the family and the forming of social ties with the outside world. Consumers are more likely to seek information from those friends they feel have values or outlooks similar to their own.

#### Formal Social Groups

In contrast to the relative intimacy of friendship groups, formal social groups are more remote and serve a different function for the individual. A person joins a formal social group to fulfill such specific goals as making new friends, meeting —important people (e.g., for career advancement), or promoting a specific cause. Because members of a formal social group often consume certain products together, such groups are of interest to marketers. For example, the membership list of a men's club would be of interest to local men, Insurance agents, automobile agents, tax accountants.

Membership in a formal social group may influence a consumer's behavior in several ways. For example, members of such groups have frequent opportunity to informally discuss products, services, or stores. Some members may copy the, consumption behavior of other members whom they admire.

#### Shopping Groups

Two or more people who shop together—whether for food, for clothing, or simply to pass the time, can be called a shopping group. Such groups are often offshoots of family or friendship groups. People like to shop with others who they feel have more experience with or knowledge about a desired product or service.

Shopping with others also provides an element of social fun to an often boring but necessary task. In addition, it reduces the risk that a purchase decision will be socially unacceptable.

Relatively few marketing or consumer behavior studies have examined the nature of shopping groups. However, one study of the in-store behavior of shoppers revealed some differences between group and individual shopping. The research found that shopping parties of at least three persons deviated more from their original purchase plans (they bought either more or less than originally planned) than did either single shoppers or two-party groups. The study also found that shopping groups tended to cover more territory in the store than individuals shopping alone, and thus had more opportunity to see and examine merchandise

and to make unplanned purchases.

A special type of shopping group is the in-home shopping group, which typically consists of a group of women who gather together in the home of a friend, to attend a —party devoted to the marketing of a specific line of products. The in-home party approach provides marketers with an opportunity to demonstrate the features of their products simultaneously to a group of potential customers. The undecided guests often overcome a reluctance to buy when they see their friends make positive purchase decisions. Furthermore, some of the guests may feel obliged to buy because they are guests in the home of the sponsoring hostess.

### **Consumer Action Groups**

A particular kind of consumer group—a consumer action group—has emerged in response to the consumerist movement. This type of consumer group has become increasingly visible since the 1960s and has been able to influence product design and marketing practices of both manufacturers and retailers.

Consumer action groups can be divided into two broad categories: those that organize to correct a specific consumer abuse and then disband, and those that organize to address broader, more pervasive, problem areas and operate over an extended or indefinite period of time. A group of tenants who band together to dramatize their dissatisfaction with the quality of service provided by their landlord, or a group of irate community members who unite to block the entrance of a fast-food outlet into their middle-class neighborhood, are examples of temporary, cause-specific consumer action groups.

### **Work Groups**

The sheer amount of time that people spend at their jobs, frequently more than thirty-five hours per week, provides ample opportunity for work groups to serve as a major influence on the consumption behavior of members.

Both the formal work group and the informal friendship/work group have the potential for influencing consumer behavior. The formal work group consists of those individuals who work together as a team. Their direct and sustained work relationship offers substantial opportunity for one or more members to influence the consumer-related attitudes and activities of other team members. Members of informal work groups may influence the consumption behavior of other members during coffee or lunch breaks or after-hours meetings.

### **Reference Groups**

Reference groups are groups that serve as a frame of reference for individuals in their purchase decisions. This basic concept provides a valuable perspective for understanding the impact of other people on an individual's consumption beliefs, attitudes, and behavior. It also provides some insight into methods that groups can be used to effect desired changes in consumer behavior.

#### **What is a Reference Group?**

A reference group is any person or group that serves as a point of comparison (or reference) for an individual in the formation of either general or specific values, attitudes, or behavior. The usefulness of this concept is enhanced by the fact that it places no restrictions on group size or membership, nor does it require that consumers identify with a tangible group (i.e., the group can be symbolic: prosperous business people, rock stars, and sports heroes).

Reference groups that influence general values or behavior are called **normative reference groups**. An example of a child's normative reference group is the immediate family, which is likely to play an important role in molding the child's general consumer values and behavior (e.g., which foods to select for good nutrition, appropriate ways to dress for specific occasions, how and where to shop, what constitutes —good value).

Reference groups that serve as benchmarks for specific or narrowly defined attitudes or behavior are called **comparative reference groups**. A comparative reference group might be a neighboring family whose lifestyle appears to be admirable and worthy of imitation (the way they maintain their home, their choice of home furnishings and cars, the number and types of vacations they take).

Both normative and comparative reference groups are important. Normative reference groups influence the development of a basic code of behavior; comparative reference groups influence the expression of specific consumer attitudes and behavior. It is likely that the specific influences of comparative reference groups are to some measure dependent upon the basic values and behavior patterns established early in a person's development by normative reference groups.

#### **Types of Reference Groups**

Reference groups can be classified in terms of a person's membership or degree of involvement with the

group and in terms of the positive or negative influences they have on his or her values, attitudes, and behavior. Four types of reference groups that emerge from a cross-classification of these factors:

1. A **contractual group** is a group in which a person holds membership or has regular face-to-face contact and of whose values, attitudes, and standards he or she approves. Thus a contractual group has a positive influence on an individual's attitudes or behavior.
2. An **aspirational group** is a group in which a person does not hold membership and does not have face-to-face contact, but wants to be a member. Thus it serves as a positive influence on that person's attitudes or behavior.
3. A **disclaimant group** is a group in which a person holds membership or has face-to-face contact but disapproves of the group's values, attitudes, and behavior. Thus the person tends to adopt attitudes and behavior that are in opposition to the norms of the group.
4. An **avoidance group** is a group in which a person does not hold membership and does not have face-to-face contact and disapproves of the group's values, attitudes, and behavior. Thus the person tends to adopt attitudes and behavior that are in opposition to those of the group.

Consider Rohit a senior majoring in Marketing at the State University. The B-School's Advertising Club, of which he is vice-president, serves as one of Rohit's contractual groups. He believes that continuing his education to obtain an MBA will enhance his career opportunities. It is clear that individuals who hold the MBA degree serve as an aspirational group for him. Still further, although he enjoys his position as a reporter on the university's newspaper, the recent editorials (endorsed by most of the staff) urging students to adopt a more conservative political philosophy run counter to his own views. Thus the newspaper staff is currently a disclaimant group. Finally, Rohit personally knows a number of students who have quit college during their final year; these former students serve as an avoidance group.

### Factors that Affect Reference Groups Influence

The degree of influence that a reference group exerts on an individual's behavior usually depends on the nature of the individual and the product and on specific social factors. This section discusses how and why some of these factors operate to influence consumer behavior.

#### 1. Information and Experience

An individual who has firsthand experience with a product or service, or can easily obtain full information about it, is less likely to be influenced by the advice or example of others. On the other hand, a person who has little or no firsthand experience with a product or service, and does not expect to have access to objective information about it (e.g., a person who believes that relevant advertising may be misleading or deceptive), is more likely to seek out the advice or example of others. Research on imitative behavior provides some interesting insights on how insufficient experience or information concerning a product makes consumers more susceptible to the influence either positive or negative, of others. For example, if a medical school student wants to impress his new girl-friend, he may take her to a restaurant that he knows from experience to be good or to one that has been highly recommended by the local newspaper's Dining-Out Guide. If he has neither personal experience nor information he regards as valid, he may seek the advice of friends or imitate the behavior of others by taking her to a restaurant he knows is frequented by physicians whom he admires.

#### 2. Credibility, Attractiveness, and Power of the Reference Group

A reference group which is perceived as; credible, attractive, or powerful can induce consumer attitude and behavior change. For example, when consumers are concerned with obtaining accurate information about the performance or quality of a product or service, they are likely to be persuaded by those they consider to be trustworthy and knowledgeable. That is, they are more likely to be persuaded by sources with high credibility. When consumers are primarily concerned with the acceptance or approval of others they like, with whom they identify, or who offer them status or other benefits, they are likely to adopt their product, brand, or other behavioral characteristics. Different reference groups may influence the beliefs, attitudes, and behavior of an individual at different points in time or under different circumstances. For example, the dress habits of a young female attorney may vary, depending on her place and role. She may conform to the dress code of her office by wearing conservative business suits by day and drastically alter her mode of dress after work by wearing more conspicuous, flamboyant styles.

#### 3. Conspicuousness of the Product

The potential influence of a reference group varies according to how visually or verbally conspicuous a product is to others. A visually conspicuous product is one that can be seen and identified by others, and that will stand



out and be noticed (e.g., a luxury item or novelty product). Even if a product is not visually conspicuous, it may be verbally conspicuous it may be highly interesting or it may be easily described to others. Products that are especially conspicuous and status-revealing (a new automobile, fashion clothing, home furniture) are most likely to be purchased with an eye to the reactions of relevant others. Products that are less conspicuous (canned fruits, laundry soaps) are less likely to be purchased with a reference group in mind. The success of a brand of status running shoes like Reebok is aided by the fact that it is relatively easy to spot a person wearing them-given the distinctive flag symbol on the side of each shoe.

#### 4. Reference Group Impact on Product and Brand Choice

In some cases, and for some products, reference groups may influence both a person's product category and brand (or type) choices. Such products are called product-plus, brand-plus items. In other cases, reference groups influence only the product category decision. Such products are called product-plus, brand-minus items. In still other cases, reference groups influence the brand (or type) decision. These products are called product-minus, brand-Plus items. Finally, in some cases, reference groups influence neither the product category nor the brand decision; these products are called product-minus, brand-minus items. The idea of classifying products and brands into four groups in terms of the suitability of a reference group appeal was first suggested in the mid-1950s, along with an initial classification of a small number of product categories.

#### 5. Reference Groups and Consumer Conformity

Marketers are particularly interested in the ability of reference groups to change consumer attitudes and behavior (i.e., to encourage conformity). To be capable of such influence, a reference group must:

1. Inform or make the individual aware of a specific product or brand;
2. Provide the individual with the opportunity to compare his or her own thinking with the attitudes and behavior of the group;
3. Influence the individual to adopt attitudes and behavior that are consistent with the norms of the group;
4. Legitimize an individual's decision to use the same products as the group.

The ability of reference groups to influence consumer conformity is demonstrated by the results of a classic experiment designed to compare the effects.

##### **Social Class**

Social class is more of a continuum, i.e., a range of social positions, on which each member of society can be placed. But, social researchers have divided this continuum into a small number of specific classes. Thus, we go by this framework, social class is used to assign individuals or families to a social-class category.

Social class can be defined as 'The division of members of a society into a hierarchy of distinct status classes, so that members of each class have relatively the same status and the members of all other classes have either more or less status.'

##### **Characteristics of Social Classes**

The main characteristics of social class

1. Persons within a given social class tend to behave more alike
2. Social class is hierarchical
  1. Social class is not measured by a single variable but is measured as a weighted function of one's occupation, income, wealth, education, status, prestige, etc.
  2. Social class is continuous rather than concrete, with individuals able to move into a higher social class or drop into a lower class.

The sociologist W. Lloyd Warner proposed the most influential classification of U.S. class structure in 1941. Warner identified six social classes:

- Upper Upper
- Lower Upper
- Upper Middle
- Lower Middle
- Upper Lower
- Lower Lower

##### **The Upper Class**

Comprising only 1 to 3 percent of the United States population, the upper class holds more than 25 percent of the nation's wealth. This class divides into two groups: *lower-upper* and *upper-upper*. The **lower-upper class**

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includes those with —new money, or money made from investments, business ventures, and so forth. The **upper-upper class** includes those aristocratic and —high-society families with —old money who have been rich for generations. These extremely wealthy people live off the income from their inherited riches. The upper-upper class is more prestigious than the lower-upper class.

### The Middle Class

The middle class are the —sandwich class. These **white collar workers** have more money than those below them on the —social ladder, but less than those above them. They divide into two levels according to wealth, education, and prestige. The **lower middle class** is often made up of less educated people with lower incomes, such as managers, small business owners, teachers, and secretaries. The **upper middle class** is often made up of highly educated business and professional people with high incomes, such as doctors, lawyers, stockbrokers, and CEOs

### The lower class

The **upper lower** is those minimally educated people who engage in —manual labor with little or no prestige. Unskilled workers in the class—dishwashers, cashiers, maids, and waitresses—usually are underpaid and have no opportunity for career advancement. They are often called the **working poor**. Skilled workers in this class—carpenters, plumbers, and electricians—are often called **blue collar workers**. The **lower lower** class is typified by poverty, homelessness, and unemployment. People of this class, suffer from lack of medical care, adequate housing and food, decent clothing, and safety. The media often stigmatize them as —the underclass, inaccurately characterizing poor people as welfare mothers who abuse the system by having more and more babies, welfare fathers who are able to work but do not, drug abusers, criminals, and societal —trash.

### Impact of social class

- Provides a sense of identity
- Imposes a set of ‘normative’ behavior
- Classes share values, possessions, customs and activities
- Marketing response to customers of different economic means
- Marketing to the low-income consumer
- Some marketers ambivalent as not perceived as long-term customers constitutes a substantial group
- Target with value-oriented strategies

## OPINION LEADERSHIP

### What is Opinion Leadership?

Opinion Leadership is the process by which one person (opinion leader) informally influences the actions or attitudes of others, who may be opinion seekers or merely opinion recipients. The definition of opinion leadership emphasizes on informal influence. This informal flow of opinion related influence between two or more people is referred to as word-of-mouth communication. The person is the **opinion leader** and may become an **opinion receiver**. Individuals who actively seek information and advice about products are often called **opinion seekers**. These opinion leaders are very often a part of the social groups and also have social communication network. The biggest advantage of the informal word-of-mouth communication is that it is informal and interpersonal in nature and this takes place between people who are not directly associated with the commercial selling source or the firm. Very often, we can see that the formal **word-of-mouth** communication is more influential than mass advertising in determining which product or brand is bought.

### Characteristics of Opinion Leaders

Let us now take a look at the main characteristics of opinion leaders. Some of the main features that all opinion leaders have are:

- Opinion leaders are more knowledgeable, and have a keen level of interest.
- More involved in the product category
- Have local friendship and social interaction
- Can disseminate information
- Have high credibility
- Have more self-confidence, are more sociable and cosmopolitan, can take risks.



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Opinion leaders are activated greatly to reduce distance process for the products they have bought; may want to influence neighbors and friends. They involve themselves, to confirm their own judgment. They are younger, have more education, have a higher income, and higher occupational status. They are exposed to media. See more movies and television. Also read information magazines and technical publication devoted to the product category. Having greater knowledge about the product, they can disseminate more and true information about the products and their usage. Opinion leaders are therefore a case of study to marketers and their strategies are evaluated and formed, keeping the opinion leaders and their roles in mind.

- 1. Opinion leaders are perceived to be highly credible sources of product related information.***
- 2. Opinion leaders are gregarious people and also have a lot of experience***
- 3. Opinion leaders usually provide unbiased information, i.e., they provide both favorable and unfavorable information to the opinion seekers***
- 4. Opinion leaders are both sources of information and advice***
- 5. Opinion leaders have got greater exposure to the media, especially in their area of leadership***
- 6. Opinion leaders tend to be consumer innovators***
- 7. Opinion leaders have got some personal product specific characteristics like personality traits, social status and demographic characteristics***

### **Opinion Leadership and the Firm's Marketing Strategy**

Marketers have long been aware of the power that opinion leadership exerts on consumers' preferences and actual purchase behavior. Many marketers look for an opportunity to encourage word-of-mouth communications and other favorable informal conversations. New product designers take advantage of the effectiveness of word-of-mouth communication by deliberately designing products to have word-of-mouth potential. A new product should give customers something to talk about.

Proof of the power of word-of-mouth is the cases in which critics hate a movie and the viewing public like it and tell their friends. In instances where informal word of mouth does not spontaneously emerge from the uniqueness of the product or its marketing strategy, some marketers have deliberately attempted to stimulate or to simulate opinion leadership.

There are different opinion leaders for different products. The marketer must determine through research, experience or logic, the role an opinion leader plays in the existing situation for a product or service. Consumers talk to each other about their experiences and performance of the product. If their experiences do not meet expectations then there is cause for concern, and the marketer must take relevant steps to redress their complaints.

This can be reduced by utilizing the knowledge of opinion leaders, which are rather difficult to identify. Opinion leaders are gregarious and tend to belong to clubs and associations. Some product categories have professional opinion leaders who are also very influential.

Hairstylists serve as, opinion leaders for hair-care products. For healthcare products-pharmacists are important opinion leaders. Computer professionals can give an opinion about the purchase of personal computers. The idea is to identify the opinion leaders, and then undertake a marketing research on them and formulate a marketing strategy.

The marketing research conducted on opinion leaders gives ideas of the likes and dislikes of the product users and their categories. Various tests should include the product use test, the pre-testing of the advertising copy, the media preferred for customers to respond favorably to the firm's marketing mix. The sampling should be done from amongst the opinion leaders. In retailing and personnel selling various techniques can be adopted to attract customers like, one meal extra for every three meals or, pay for two and take three or, a —fashion advisory board can be constituted in clothing stores.

In advertising, people of prominence and, owners can be used and their experiences and satisfaction received can be projected through conversation and, by giving their impression to the general public and non-owners of the product. Opinion leaders can be used effectively in commercials to promote the product to the masses.

### **Measuring Opinion Leadership**

Consumer researchers can measure the degree of opinion leadership and its impact on consumption behavior by using one of the following methods:

### **Self-Designating Method**

The self-designating method employs a self-administered questionnaire that requires respondents to evaluate the extent to which they have provided others with information about a product category or specific brand or have otherwise influenced the purchase decisions of others. Marketers use the self-designating technique more often than other methods because it is self-administered and can be easily incorporated into marketing research questionnaires. However, this method relies on consumers' self-evaluations, and respondents often overestimate their roles as opinion leaders.

### **Socio-metric Method**

The socio-metric method measures the person-to-person communications about a product or brand among members of a community where most people know each other by name (e.g., a college dormitory or sorority). Respondents are asked to identify:

1. The specific individuals (if any) to whom they provided advice or information about the product or brand under study.
2. The specific individuals (if any) who provided them with advice or information about the same product or brand. If respondents identify one or more individuals to whom they have provided some form of product information and those individuals confirm the respondents receive —opinion leadership points. Then, the people from whom the respondents received advice are interviewed and asked to confirm the respondents' reports. On the basis of these interviews, respondents receive —opinion receivership points. One's designation as an opinion leader or receiver is based on comparing the two sets of scores. Sociometric questioning provides the most valid results for designating opinion leaders and receivers.

### **Key Informant Method**

Researchers can also study opinion leadership by using a key informant, that is, a person who is keenly knowledgeable about the nature of social communications among members of a specific group. Researchers ask the key informant to identify those individuals in the group who are opinion leaders. However, the key informant does not have to be a member of the group under study. For example, a professor can be a key informant and identify those among his students who are most likely to be opinion leaders about a particular product. This research method is relatively inexpensive because it involves collecting data from one person only, whereas the self-designating and socio-metric methods require questioning many respondents. Marketers seldom employ the key informant method, though, because it is very difficult to find a single individual who can objectively identify opinion leaders within a given consumer group.

### **Klout Scores**

The Klout score measures people's influence online based on their abilities to generate engagement and feedback to what they post. For example, if a person posts a picture of a new restaurant online and others respond, possibly by also visiting the restaurant and posting reviews, the person accumulates Klout points. Klout measures influence on a scale of 1 to 100 (the average Klout score is 40); the greater one's ability to drive conversations and inspire social actions such as likes, shares, and re-tweets, the higher one's score will be. The Klout score focuses on the amount of conversation and interactions that people generate, rather than the volume of their posts; that is, the score is designed to determine one's degree of influence and not merely activity. Klout sells the information it —mines to customers like airlines and banks. Those companies then offer —secret rewards or more responsive customer service to the people with high scores. For example, one airline began allowing people with Klout scores over 40 to visit its first-class airport lounge. Some hotels examine people's Klout scores as they check in and provide perks to guests with higher scores.

### **Strategic Applications of Word-of-Mouth**

**Social Networks:** Online, **social networks** are virtual communities where people share information about themselves with others, generally with similar interests, with whom they have established relationships that, for the most part, exist only in cyberspace.

**Brand Communities:** A **brand community** is a specialized, non-geographically bound community formed on the basis of attachment to a product or brand. Generally, admirers of a particular item, often with nostalgic emotions and in possession of versions that are no longer made, find others with similar interests and form a community

**Weblogs:** Another medium for disseminating word-of-mouth is the blog (short for —Weblog ). A **blog** is a discussion or informational site published on the Internet and consisting of discrete entries (—posts ). At first, blogs were the works of single individuals or small groups, and most covered only a single topic. Today, most blogs have multiple authors and are often managed by media outlets, companies, and other interest groups

**Stimulating Word-of-Mouth:** Long before the emergence of the Web, marketers portrayed word-of-mouth in advertisements, stimulated word-of-mouth among consumers through advertising slogans such as —tell your friends how much you like our product, and instituted referral programs through which customers were rewarded for bringing in new clients.

**Viral Marketing:** Viral marketing (viral advertising) is a marketing technique that uses pre-existing social networks and other technologies to produce increases in brand awareness or to achieve other marketing objectives through encouraging individuals to pass along email messages or other contents online.

**Managing Negative Rumors:** Negative comments or untrue rumors can sweep through the marketplace and undermine products. Such rumors may suggest that a product was produced under unsanitary conditions or contains unwholesome or culturally unacceptable ingredients.

## CULTURAL INFLUENCES ON CONSUMER BEHAVIOR

### Meaning

For the purpose of studying consumer behavior, culture can be defined as the sum total of learned beliefs, values and customs that serve to guide and direct the consumer behavior of all members of that society. Howard and Sheth have defined culture as —A selective, manmade way of responding to experience, a set of behavioral pattern . Thus, culture consists of traditional ideas and in particular the values, which are attached to these ideas. It includes knowledge, belief, art, morale, law, customs and all other habits acquired by man as a member of society. An accepted concept about culture is that includes a set of learned beliefs, values, attitudes, habits and forms of behavior that are shared by a society and are transmitted from generation to generation within that society.

**Culture is learned through the following three ways:**

1. **Formal learning:** Parents and elders teach children the proper way to behave. For instance, you have been taught that you need to study to be successful and happy in life. This learning may influence your response both as a student and individual towards education.
2. **Informal learning:** We learn by imitating the behavior of our parents, friends, or by watching TV and film actors in action
1. **Technical learning:** Instructions are given about the specific method by which certain things to done such as painting, dancing, singing etc.

### Characteristics of Culture

- Culture is learned.
- Culture regulates society—norms, standards of behavior, rewards and punishments.
- Culture makes life more efficient
- All members follow same norms.
- Culture is adaptive.
- Culture is environmental.
- Multiple cultures are nested hierarchically.

Culture also determines what is acceptable with product advertising. Culture determines what people wear, eat, reside and travel. Cultural values in India are good health, education, respect for age and seniority. But in our culture today, time scarcity is a growing problem, which implies a change in meals. **Some changes in our culture:**

1. **Convenience:** As more and more women are joining the work force there is an increasing demand for products that help lighten and relieve the daily household chores, and make life more convenient. This is reflected in the soaring sale of washing machines, microwaves, pressure cookers, mixer-grinders, food processors, frozen food etc.
2. **Education:** People in our society today wish to acquire relevant education and skills that would help

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improve their career prospects. This is evident from the fact that so many professional, career oriented educational centers are coming up, and still they cannot seem to meet the demand. As a specific instance count the number of institutions offering courses and training in computers that has opened in your city.

3. **Physical appearance:** Today, physical fitness, good health and smart appearance are on premium today. Slimming centers and beauty parlours are mushrooming in all major cities of the country. Cosmetics for both women and men are being sold in increasing numbers. Even exclusive shops are retailing designer clothes.

4. **Materialism:** There is a very definite shift in the people's cultural value from spiritualism towards materialism. We are spending more money than ever before on acquiring products such as air-conditioners, cars CD players etc, which adds to our physical comfort as well as status.

### Types of Culture

- . **National culture** - The culture prevalent in a nation, common to everyone
- . **Popular culture** - The culture of the masses with norms of mass appeal
- . **Subculture** - The culture of a group within the larger society
- . **Group identification** - Based on nationality of origin, race, region, age, religion, gender, etc.
- . **Corporate culture** - The company's values, rituals, customs, myths and heroes

### Cultural Influences

Culture is that complex whole which includes knowledge, belief, art, law, morals, customs and any other capabilities and habits acquired by humans as members of society. Culture influences the pattern of living, of consumption, of decision-making by individuals. Culture is acquired and it can be acquired from the family, from the region or from all that has been around us while we were growing up and learning the ways of the world. Culture forms a boundary within which an individual thinks and acts. When one thinks and acts beyond these boundaries, he is adopting a cross-cultural behavior and there are cross-cultural influences as well. The nature of cultural influences is such that we are seldom aware of them. One feels, behaves, and thinks like the other members of the same culture. It is all pervasive and is present everywhere. Material culture influences technology and how it brings cultural changes like use of telephones, mobile phones, clothing styles and fashions, gives the marketers a chance to improve the product, packing, etc. to meet the needs of the customers.

Norms are the boundaries that culture sets on the behavior. Norms are derived from cultural values, which are widely told beliefs that specify what is desirable and what is not. Most individuals obey norms because it is natural to obey them. Culture outlines many business norms, family norms, behavior norms, etc. How we greet people, how close one should stand to others while conducting business, the dress we wear and any other patterns of behavior.

Culture keeps changing slowly over time; and is not static. Changes take place due to rapid technologies. In case of emergency, war, or natural calamities, marketers and managers must understand the existing culture as well as the changing culture and culture of the country where the goods are to be marketed. Major companies have adapted themselves to international culture and are accepted globally.

Coca Cola is sold all over the world. Procter & Gamble and other companies give cross-cultural training to their employees. By making cross-cultural mistakes, many companies have difficulty in pushing their products for example, (i) Coca Cola had to withdraw its 2 liters' bottle from Spain, because it did not fit in the local refrigerator; (ii) Many countries are very traditional and do not like women displayed on the products. This acts as a detriment to business in those countries.

### Dimensions of Cultural Values

Although conflicting views exist on what exactly are the best dimensions to describe differences in cultural values, the most widely applied dimensions are those developed by Geert Hofstede. This theory of value-based differences in cultures is based on multiple dimensions, with each representing an identifiable core societal value aspect. **Core societal values (CSV)**, or cultural values, represent a commonly agreed-upon consensus about the most preferable ways of living within a society. Even though not all members of a culture may share precisely the same values to the same degree, a specific cultural group will tend to have common worldviews along these dimensions.

☐ **Individualism** refers to the extent to which people are expected to take care of themselves and their immediate families. Whereas, **collectivism** refers to the extent to which an individual's life is intertwined with a large cohesive group. Generally, Western societies tend to be more individualistic, whereas Eastern nations tend to be more collectivistic. Collectivist societies tend to be more compliant with requests from group members.

☐ **Masculinity** refers to a gender role distinction within a group that values assertiveness and control. Whereas, **femininity** gender role distinction within a group emphasizes the prioritization of relational variables such as caring, conciliation, and community. Advertisements for tablet computers in a highly masculine nation such as Japan may emphasize product benefits such as one's ability to get ahead. In contrast, in a more feminine country such as Brazil, an advertisement for the same tablet might emphasize the benefit of being able to stay in touch with family and friends.

☐ **Power distance** refers to the extent to which authority and privileges are divided among different groups within society and the extent to which these facts of life are accepted by the people within the society. In many Asian nations, where power distance is relatively high compared to that in the United States, people often use the terms senior and junior to capture status distinctions. Also For example, in high-power distance nations people view activities like tennis as only for those with very high status.

☐ **Uncertainty avoidance** refers to the extent to which a culture is uncomfortable with things that are ambiguous or unknown Nations that are high in uncertainty avoidance will be slower to adopt product innovations. Superstitions and myths also play a bigger role among cultures high in uncertainty avoidance. Consumers in these cultures may even use astrological charts to help plan visits to casinos.

Research also suggests that low uncertainty avoidance leads to a higher degree of implicit trust as the exchange partners' ethics guide marketing transactions.

☐ **Long-term** orientation refers to values consistent with Confucian philosophy and a prioritization of future rewards over short-term benefits. At the other end of the spectrum, a **short-term** orientation is associated more with immediate payoffs and face saving. Guanxi is the Chinese term for a way of doing business in which parties must first invest time and resources in getting to know one another and becoming comfortable with one another before consummating any important deal. Guanxi is a common mode of operation among cultures with high long-term orientation as with many nations in the Far East.

☐ **Indulgent** cultures value immediate gratification, particularly for natural human needs associated with fun and enjoyment. Low scores on indulgence are associated with **restraint** which as a culture tend to be reserved and regulate such desires through the means of societal norms. Societies with high restraint scores will tend to prioritize utilitarian value in consumption, whereas societies with high indulgence will tend to prioritize hedonic value in consumption.

☐ The **pragmatic-normative** dimension captures how a society deals with things that cannot be explained. A pragmatic orientation leads people to accept and be comfortable with the fact that not everything can be explained. Consumers from nations with high pragmatic orientation tend to be thrifty and eager to save and invest. Conversely, people from nations with high normative orientation are motivated to explain and understand all things

## Subcultures and Consumer Behavior

Culture can be divided into subcultures. A subculture 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
- . Gender: Male, Female
- . Occupation: Farmer, teacher, business
- . Social class: upper, middle, lower
- . Geographic regions: South India, North-eastern India

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

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. In spite of its diversity, marketing strategies can be developed for this group.



Finally, religious beliefs and values can influence consumer. 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.

## 2. Age, Gender, and Household Influences on Consumer Behavior

Among the four major age groups, Teens, who need to establish an identity, are the consumers of tomorrow and have an increasing influence on family decisions. The somewhat disillusioned Generation X consists of smart

and cynical consumers who can easily see through obvious marketing attempts. Baby boomers grew up in a very dynamic and fast-changing world, and this has affected their values for individualism and freedom. The 50 and older segment can be divided into two groups—the young again and the gray market. Neither group likes to be thought of as old. The effect of gender differences on consumer behavior is examined next. Sex roles are changing. Women are becoming more professional and independent, and men are becoming more sensitive and caring. Also, men and women can differ in terms of traits, information processing, decision styles, and consumption patterns. Gender is consistent throughout lifetime, influencing customer values and preferences. Gender shows different consumption patterns and perceptions of consumption situations. E.g. the wedding ceremony. Households play a key role in consumer behavior. The proportion of non-traditional households has increased due to factors such as

- (1) later marriages,
- (2) Cohabitation,
- (3) Dual-career families,
- (4) Increased divorce, and
- (5) Fewer children.

Households also exert an important influence on acquisition and consumption patterns. First, household members can play different roles in the decision process (gatekeeper, influencer, decider, buyer, and user). Second, husbands and wives vary in their influence in the decision process, depending on the situation—husband-dominant, wife-dominant, autonomic, or syncretic.

## 3. Psychographics: Values, Personality, and Lifestyles

The roles of psychographics in affecting the consumer behavior are detailed below.

**Values** are enduring beliefs about things that are important. They are learned through the processes of socialization and acculturation. Our values exist in an organized value system, with some values being viewed as more important than others. Some are regarded as terminal values and reflect desired end states that guide behavior across many different situations. Instrumental values are those needed to achieve these desired end states. Domain-specific values are those that are relevant within a given sphere of activity. Western cultures tend to place a relatively high value on material goods, youth, the home, family and children, work and play, health, hedonism, and technology. Marketers use tools like value segmentation to identify consumer groups with common values.

**Personality** consists of the distinctive patterns of behaviors, tendencies, qualities, and personal dispositions that make people different from one another. Approaches to the study of personality include

The psychoanalytic approach, which sees personality arising from unconscious internal struggles within the mind at key stages of development;

1. Trait theories, which attempt to identify a set of personality characteristics that describe and differentiate individuals, such as introversion, extroversion, and stability;
2. Phenomenological approaches, which propose that personality is shaped by an individual's interpretation of life events
3. Social-psychological theories, which focus on how individuals act in social situations (e.g., compliant, detached, or aggressive); and
4. Behavioral approaches, which view an individual's personality in terms of past rewards and punishments.

Marketers also measure **lifestyles**, which are patterns of behavior (or activities, interests, and opinions). These lifestyles can provide some additional insight into consumers' consumption patterns. Finally, some marketing researchers use Psychographic techniques that involve all of these factors to predict consumer behavior. One of the most well-known Psychographic tools is the Values and Lifestyle Survey (VALS).

## Cross Cultural Consumer Behavior

### Cross cultural marketing: Objectives and Policies

Cross-cultural marketing is defined as —the effort to determine to what extent the consumers of two or more nations are similar or different. This will facilitate marketers to understand the psychological, social and



cultural aspects of foreign consumers they wish to target, so as to design effective marketing strategies for each of the specific national markets involved.

### **Problems in Cross Cultural marketing**

1. **Problems related to product selection:** The marketer going for cross cultural marketing has to select the customers/ market not on the basis of the superficial similarities of age or income, but by using the real motivating factors that prompt them to accept or reject products.
2. **Problems related to promotion/marketing communication:** e.g. Ariel in the middle east and also Pepsi
3. **Problems related to pricing:** the marketer has to adjust his pricing policies according to the local economic conditions and customs.
4. **Problems related to selection of distribution channels:** in Japan, P & G used this to sell soap

### **Cross-Cultural Consumer Analysis**

To determine whether and how to enter a foreign market, we need to conduct some form of cross-cultural consumer analysis. Cross-cultural consumer analysis can be defined as the effort to determine to what extent the consumers of two or more nations are similar or different. Such analysis can provide marketers with an understanding of the psychological, social, and cultural characteristics of the foreign consumers they wish to target, so that they can design effective marketing strategies for the specific national markets involved.

### **Cultural Variations & Non-Verbal Communication**

In a culture we have many variations in non-verbal communications. Each culture assigns a meaning to non-verbal signs utilized by it. There are some variables in non-verbal communication. These are:

- (a) Use of time
- (b) Use of space
- (c) Friendship
- (d) Agreements
- (e) Things
- (f) Symbols
- (g) Etiquette

#### **Time**

Time is a resource which is distributed equally amongst everybody. Every person has the same amount of time at his disposal. What view individuals and societies take of time makes them different. Some can be classified under monochronic culture (value a certain orderliness and sense of there being an appropriate time and place for everything) and others in polychronic culture (like to do multiple things at the same time).

#### **Space**

Space may be related to prestige rather than the need. The higher the office, the bigger the office space and so on. Americans have the offices of executives on the top floor and tend to separate the office of subordinates. Japanese have their discount stores on the upper floor. Some cultures and individuals maintain a fair distance while transacting, others co-mingle easily. Americans maintain a fair distance while interacting with associates. Arabs stand very close to each other.

#### **Friendship**

Friendship plays an important role in business transactions. Good personal relationship and feelings matter most in a long term agreement. Social contacts developed by parties gain priority over technical specifications. Americans make friends easily, and drop them easily as well, because of both social and geographical mobility. Some cultures like Indian or Latin Americans have lasting relationships that endure for a long time and so does the business.

#### **Agreements**

All business when transacted is done under some agreements. These agreements may be written or just on an understanding between the two parties. Most people enter into an agreement, but friendship and kinship are also given a lot of importance. Verbal commitments are also binding in some cultures, where signing a contract is just a mere formality.

#### **Things**

Different cultures attach different meaning to things. Things include products as well as gifts given in certain business and social situations. An appropriate product in the form of a gift is to be carefully chosen. The gifts

can be big or small. They can be given openly or presented privately. This depends on the practices followed in that particular country. Some want to make a show of the gift, by giving it in front of others. Others are secretive about it.

## Symbols and Colors

Different countries attach different meanings to symbols, numbers and colors. Symbols can be flowers, triangles, pictures and animals, etc. Some numbers are considered lucky, and others not so lucky, or even unlucky, like 13, 4, etc. Colors have different interpretations. Pink is associated with a female, and blue with the male in the US, whereas it is just the opposite in Holland.

A list of colors and their interpretations is given below:

*White:* Symbol of mourning or death in the Far East, happiness, purity and peace in the United States.

*Purple:* Associated with death in many Latin American countries.

*Blue:* Symbolizes femininity in Holland and masculinity in the United States, Sweden, India, etc.

*Red:* Color for brides and children in India. Sign of masculinity in the UK and France, negative in Nigeria, Germany and positive in Denmark, Rumania and Argentina.

*Yellow:* Sign of death in Mexico, infidelity in France, celebrations in many countries including India.

*White lilies:* Suggestion of death in England.

## Symbol/Numbers

7: Lucky in India, USA, Morocco, Nicaragua and Czechoslovakia.

13: Unlucky in many countries including India.

4: Symbol of death in Japan. Packing in 4s is avoided.

*Triangle:* Negative in Hong Kong and Taiwan, positive in Columbia.

*Owl:* Wisdom in the United States, bad luck in India.

*Deer:* Speed, grace in the United States; Homosexuality in Brazil.

## Etiquette

These are accepted norms of behavior. Some behavior may be rude or abusive in one culture and quite acceptable in other cultures, e.g. sitting with legs crossed or sitting in a manner that shows the sole of a shoe. In Japan it is considered impolite to say no directly to a business offer. They put it differently, by saying it is very difficult, which means no. The exchange of business cards in Japan is essential, and indicates the level of your status in your business.

## FAMILY INFLUENCES AND DECISION MAKING

The family is a major influence on the consumer behavior of its members. There are many examples of how the family influences the consumption behavior of its members. A child learns how to enjoy candy by observing an older brother or sister; learns the use and value of money by listening to and watching his or her parents. Decisions about a new car, a vacation trip, or whether to go to a local or an out-of-town college are consumption decisions usually made within the context of a family setting. As a major consumption unit, the family is also a prime target for the marketing of many products and services.

### The Family

The importance of the family or household unit in consumer behavior arises for two reasons:

1. Many products are purchased by a family unit.
2. Individuals' buying decisions may be heavily influenced by other family members.

How families or households make purchase decisions depends on the roles of the various family members in the *purchase*, *consumption*, and *influence* of products. Household products like food and soaps may be purchased by a person but consumed by many, whereas personal care items, such as cosmetics or shaving cream, might be purchased by an individual family member for his or her own consumption. Homes and cars,

on the other hand, are often purchased by both spouses, perhaps with involvement from children or other member of the extended family.

Visits to shopping malls often involve multiple family members buying clothing and accessories, something with a heavy dose of influence by family members-children may buy clothing paid for and approved of by parents, whereas teenagers may influence the clothing purchase of a parent.

Regardless of how many family members are present when items are being purchased, the other family

members play an important role in the purchase. Just because of being mother for two young children, it is her responsibility for buying food for the family and act as an individual in the market. It does not mean that her decisions are not influenced by the preferences and power of other family members. Although marketing communications are usually directed to individuals, marketers should consider the consumption circumstances and the family structure before deciding on specific communication or advertising methods to attract their segment.

### What is a Family?

A **family** is a group of two or more persons related by blood, marriage, or adoption who reside together. The **nuclear family** is the immediate group of father, mother, and children living together. The **extended family** is the nuclear family, plus other relatives, such as grandparents, uncles and aunts, cousins, and parents-in-law. The family into which one is born is called the **family of orientation**, whereas the one established by marriage is the **family of procreation**. In a more dynamic sense, the individuals who constitute a family might be described as members of the most basic social group who live together and interact to satisfy their personal and mutual needs.

### What is a Household?

The term **household** is used to describe all person, both related and unrelated, who occupy a housing unit. There are significant differences between the terms household and family even though they are sometimes used interchangeably. It is important to distinguish between these terms when examining data.

The term household is becoming a more important unit of analysis for marketers because of the rapid growth in nontraditional families and non-family households. Among non-family households, the great majority consist of people living alone. The remaining non-family households include those consisting of elderly people living with non-family members. For example, persons of Opposite Sex Sharing Living Quarters, friends living together, and same sex couples.

### Structural Variables Affecting Families and Households

Structural variables include the age of the head of household or family, marital status, presence of children, and employment status. For example, consumer analysts have enormous interest in whether families have children and how many they have. Children increase family demand for clothing, food, furniture, homes, medical care, and education, while they decrease demand for many discretionary items, including travel, higher-priced restaurants, and adult clothing.

Other structural changes affect the types of products that are manufactured. For example, in Japan, high-tech companies have formed a consortium to standardize technology that has been developed to monitor and manage households.

### Sociological Variables Affecting Families and Households

Marketers can understand family and household decisions better by examining the sociological dimensions of how families make consumer decisions. Three sociological variables that help explain how family's function includes cohesion, adaptability, and communication.

- **Cohesion** is the emotional bonding between family members. It measures how close to each other family members feel on an emotional level. Cohesion reflects a sense of connectedness to or separateness from other family members.

- **Adaptability** measures the ability of a family to change its power structure, role relationships, and relationship rules in response to situational and developmental stress. The degree of adaptability shows how well a family can meet the challenges presented by changing situations.

- **Communication** is a facilitating dimension, critical to movement on the other two dimensions. Positive communication skills (such as empathy, reflective listening, and supportive comments) enable family members to share their changing needs as they relate to cohesion and adaptability. Negative communication skills (such as double messages, double binds, criticism) minimize the ability to share feelings, thereby restricting movement in the dimensions of cohesion and adaptability. Understanding whether family members are satisfied with family purchase requires communication within the family.

To determine how the family makes its purchase decisions and how the family affects the future purchase behavior of its members, it is useful to understand the functions provided and the roles played by family

members to fulfill their consumption needs.

### **Functions of the Family**

Four basic functions provided by the family are particularly relevant to a discussion of consumer behavior. These include (1) Economic well-being, (2) Emotional support, (3) Suitable family lifestyles, and (4) Family-member socialization.

#### **(1) Economic Well-Being**

Providing financial means to its dependents is unquestionably a basic family function. How the family divides its responsibilities for providing economic well-being has changed considerably. The traditional roles of husband as economic provider and wife as homemaker and child rearer are still valid. The economic role of children has changed. Today, even if some teenage children work, they rarely assist the family financially. Their parents are still expected to provide for their needs. But some of them get enough pocket-money to decide their consumption of discretionary items.

#### **(2) Emotional Support**

The provision of emotional nourishment (including love, affection, and intimacy) to its members is an important basic function of the contemporary family. In fulfilling this function, the family provides support and encouragement and assists its members in coping with personal or social problems. To make it easier for working parents to show their love affection and support for their children, greeting-card companies have been marketing cards especially for parent to give to their children. For instance, in most communities, many educational and psychological centers are available that are designed to assist parents who want to help their children improve their learning and communication skills, or generally, better adjust to their environments.

#### **(3) Suitable Family Lifestyles**

Another important family function in terms of consumer behavior is the establishment of a suitable lifestyle for the family. Family lifestyle commitments, including the allocation of time, greatly influence consumption patterns. For example, the increase in the number of married women working outside the home has reduced the time they have available for household chores, and has created a market for convenience products and fast-food restaurants. Also, with both parents working, an increased emphasis is placed on the notion of —quality time, rather than the —quantity of time spent with children and other family members. Realizing the scarcity of quality family time, Hotels feature a variety of weekend packages targeted to couples and their children.

#### **(4) Socialization of Children and Other Family Members**

The socialization of family members, especially young children, is a central family function. In large part, this process consists of imparting to children the basic value and modes of behavior consistent with the culture. These generally include moral and religious principles, interpersonal skills, dress and grooming standard, appropriate manners and speech, and the selection of suitable educational and occupational or career goals. Socialization skills (manners, goals, values, and other qualities) are imparted to a child directly through instruction and indirectly through observation of the behavior of parents and older siblings. Marketers often target parents looking for assistance in the task of socializing preadolescent children.

### **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** to show how the life cycle affects consumer behavior.

### **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 Table 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.

<b>Bachelor stage</b>	Young, single persons under the age of 35 years. Incomes are generally low since they have started careers, but they may have few financial burdens and sufficient discretionary income.
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<b>Newly married</b>	Young couples, no children. If both spouses are employed, they will have high levels of discretionary income.
<b>Full nest I</b>	Young married couples with youngest child under 6 years of age. There would be greater squeeze on income because of increased expenses on childcare. If they are members of a joint family, the level of discretionary income is likely to be high.
<b>Full nest II</b>	Young married couples with children from 6 years to 12 years of age. Better financial position because income of both parents is rising. Children spend more hours outside their parents' influence.
<b>Full nest III</b>	Older married couples with dependent teenage children living at home. Financial position of the family continues to improve. There are increasing costs of college education for children.
<b>Empty nest I</b>	Older married couples with no children living with them, parents still employed. Reduced expenses result in greater savings and highest discretionary income.
<b>Empty nest II</b>	Older married couples with no children living with them and parents retired. Drop in income and couple relies on savings and fixed income from retirement benefits.
<b>Solitary survivor</b>	Older single persons with low income and increasing medical needs (widow or widower).

### **Family Decision-Making**

Families use products even though individuals usually buy them. Determining what products should be bought, which retail outlet to use, how and when products are used, and who should buy them is a complicated process involving a variety of roles and actors.

#### **Role Behavior**

Families and other groups exhibit what sociologist Talcott Parsons called instrumental and expressive role behaviors.

**Instrumental roles**, also known as functional or economic roles, involve financial, performance, and other functions performed by group members.

**Expressive roles** involve supporting other family members in the decision-making process and expressing the family's aesthetic or emotional needs, including upholding family norms.

### **Individual Roles in Family Purchases**

Family consumption decisions involve at least five definable roles, which may be assumed by spouses, children, or other members of a household. Both multiple roles and multiple actors are normal. Marketers need to communicate with consumers assuming each of these roles, remembering that different family members will assume different roles depending on the situation and product. Children, for example, are users of cereals, toys, clothing, and many other products but may not be the buyers. One or both of the parents may be the decider and the buyer, although the children may be important as influencers and users.

#### **Family Roles**

For a family to function as a cohesive unit, roles or tasks-such as doing the laundry, preparing meals, setting the dinner table, taking out the garbage, walking the dog must be carried out by one or more family members. In our dynamic society, etc. family-related roles are constantly changing.

#### **Key Family Consumption Roles**

The roles played by the different family members will vary from product to product. While shopping in the market, a housewife comes across a new variety of juice that she buys for the family. Her decision to purchase

does not directly involve the influence of other family members. She is the decider, buyer; but she may or may not be the preparer and is not the only user. In case of products such as television, car, music systems, furniture or any other product which is likely to be used by some or all the family members, the purchase decision is likely to be joint or group decision.

There are eight distinct roles in the family decision-making process. A look at these roles provides further insight into how family members act in their various consumption-related roles:

1. **Influencers:** Those family members who provide information and advice and thus influence the purchase. The housewife tells her family about the new eatery that has opened in the neighborhood and her favorable description about it influences her husband and teenaged children.
2. **Gatekeepers:** Those family members who control the flow of information about a product/service thus influencing the decisions of other family members. The teenage son, who wants a racing bicycle, may withhold from his father much of the relevant information on all brands except the one that he fancies, thereby influencing his father's decision in favour of his preferred brand.
3. **Deciders:** Family members who have the power to unilaterally or jointly decide whether or not to buy a product or service. The husband and wife may jointly decide about the purchase of a new refrigerator.
4. **Buyers:** Those family members who actually buy a particular product or service. A housewife may be the person who actually buys all the foodstuffs, rations and toiletries, which are consumed by all the family members.
5. **Preparers:** Those family members who transform or prepare the product into the form in which it is actually consumed. The housewife may prepare the family meal using raw vegetables, lentils, spices, oil and other ingredients.
6. **Users:** Those family members who use or consume a particular product or service. All family members may use the car, watch the television, and listen to the stereo music system
7. **Maintainers:** Family member(s) who service or repair the product so that it will provide continued satisfaction.
8. **Disposers:** Family member(s) who initiate or carry out the disposal or discontinuation of a particular product or service.

#### **Influencing Spouses and Resolving Consumer Conflicts**

When making consumer decisions, husbands and wives commonly attempt to influence each other to arrive at what they feel to be the best outcome. Six influence strategies for resolving husband/wife consumption-related conflicts have been identified:

- . **Expert:** An attempt by a spouse to use his or her superior information about decision alternatives to influence the other spouse. (Cooking Oil)
- . **Legitimacy:** An attempt by a spouse to influence the other spouse on the basis of position in the household. (Buying a house)
- . **Bargaining:** An attempt by a spouse to secure influence now that will be exchanged with the other spouse at some future date. (Jewelry)
- . **Reward:** An attempt by a spouse to influence the behavior of the other spouse by offering a reward. (FMCG)
- . **Emotional:** An attempt by spouse to use an emotion-laden reaction to influence the other spouse's behavior. (Birth control measures)
- . **Impression:** Any persuasive attempts by one spouse to influence the behavior of the other. (Fixed buyer behavior)

These influence strategies tend to be used by either husbands or wives when they find themselves in disagreement or in conflict with the other spouse regarding specific consumer decision. For instance, we all have experienced occasions on which different restaurants to visit, see different movies, or go on a different type of family vacation. These are only a few examples of the almost endless possibilities of potential family consumption conflicts that might need to be resolved.

#### **Children**

As any parent knows, young children attempt to influence family decisions as soon as they possess the basic communication skills needed to interact with other family members (—Buy me a cookie , —I want a Barbie doll , —Let's eat at McDonald's .). Older children are likely to participate more directly in family consumption activities. In a study of children aged 6 to 14, more than half indicated that they influenced family purchase decisions, such as choice of vacations, stereo equipment, and home computers. Other research indicates that children play relatively important roles when it comes to initiating interest in a new computer and in the actual purchase decision.

The parent-child relationship, as it relates to consumer behavior, can be viewed as an influence versus yield



situation. Specifically, children attempt to influence their parents to make a purchase (to yield). In observing shoppers in a supermarket, it is quite evident that children attempt to influence their parents to make purchases of special interest (e.g., laundry detergents) for which they see ads on TV.

**Teenagers and Post teens**

A significant number of teenagers have discretionary spending in terms of spending patterns. High school students (those in grades 7 through 12) are most interested in sports and fitness. Boys between the ages of 16 and 19 spend most of their money on movies, dating, entertainment, vehicle expenses, and clothing, while girls of that age spend most of their money on clothing, cosmetics, and fragrances. The teen market can be segmented in terms of lifestyle groups.

**Family marketing**

Family marketing focuses on the relationships between family members based on the roles they assume, including the relationship between purchaser and family consumer and between purchaser and purchase decision maker. Family marketing identifies scenarios where some purchase might have more than one decision maker, whereas some have more than one consumer. The family marketing model, as seen in Figure, represents nine cells describing various purchaser-consumer relationships. Depending on where in the matrix various products fall, marketers can advertise and position products differently according to their purchaser-consumer relationships.

The family purchase decision-making process can be complex, but answering the following questions helps identify different purchaser-consumer relationships.

1. Who's buying for whom?
2. Who are the principal characters?
3. What's the plot for the purchase?
4. Who wants what and when?
5. What can we assume?

## MODULE 3

**The Engel, Kollat, Blackwell & Miniard Model**

The EKB model, was also referred to as the EBM later on, was proposed to organize the growing body of research and the growing body of consumer behavior knowledge pertaining to consumer behavior. As it was a very comprehensive model, which was proposed initially in the 1960s, to be precise it was year 1968, where EKB proposed this model, where they showed depicted the various components of which impact consumer decision making and they illustrated the relationships or the interdependence and interactions between these variables. The model was tested, evaluated and studied across many product categories, many product purchase situations; it went through many revisions and modifications, where the emphasis was on explaining the relationship between the various components and sub components and of consumer decision making and finally, the model was proposed which came to be known as the EBM or the Engel, Blackwell and Miniard models. So, we will start with the Engel, Kollat and Blackwell model, which was proposed in 1968 and then will move on to see, how it was adapted? How it was modified? How it was reframed and reintroduced as the Engel, Blackwell and Miniard model in the 90s, in the 80s?

Now coming to the EKB model, if you have a look at the model, it basically comprises five parts. We start with the information input, then we have information processing, we have the decision making stages or the decision process stages; we have decision process variables, which actually get broken up into product brand evaluations and general motivating influences and then finally, we have the external and influences in the form of internalized environment influences. So, if you see the model there are four parts the information input, information processing the decision process stage & variables and the external influences.

1) To start with let us first discuss information input. Now, the information input includes all the different kinds of stimuli, that the consumer is exposed to and such a stimuli triggers a kind of a behavior. So, any and all of the stimuli, that a consumer is exposed to and which triggers a some kind of a behavior; actually, constitutes what we call information input. We have the various stimuli, which could be in the form of the coming from the you know it could be in the form of masses or personal or general marketer dominated. So, we have these various kinds of stimuli, where we generally focus on the stimuli which is presented by the marketer; the consumer exposed to marketing efforts, in the form of advertising, publicity, personal selling, demonstrations or even store display or even the point of purchase stimuli; apart from this marketing stimuli,

which is exposed to the consumer is also exposed to a kind of stimuli, in the form of a which actually come from non-marketing sources and the non-marketing sources here could mean, the family the friends the peers. It is noteworthy hear to mention that because the stimuli is comes in the various sources, comes from various sources and in many forms both marketing dominated and a non-marketing; the various stimuli, compete for the customers attention. So, the basically the customer is attentive to some of these stimuli, which basically we will see, partial to you know his need or his motivation pattern or other psychographic components. These stimuli provide information to the consumer and they trigger of the decision making process. So, information input basically is comes in the form of stimuli, both marketing and non-marketing and this stimuli triggers you know a kind of a process in the minds of the consumer, which is related to the purchased decision, so it actually triggers of the decision making process.

2) The second input in the model; if you see, is the second construct in the model if you see, is the information processing. Stimuli received in the first stage, provides information and this particular stage the information which is received is processed into a meaningful whole. The stage comprises consumer's exposure attention and reception of information. So, the stimuli basically, whether market from marketing sources or non-marketing sources; is also acts as an information queue, to which the consumer is exposed to this exposure leads to some form of an attention in the minds of the consumer or in the part of the consumer and he receives information so that is attention and reception of information; which actually, goes into his act of his memory set. The consumer is exposed to stimuli and the accompanying information queues the attention actually determines, which of the stimuli would receive further consideration; after this the consumer interprets the information queue, find out more if it is required and receptivity or reception takes place. The consumer first accepts it in a short-term memory and then he retains it finally, by transferring the input to his long-term memory for further retrieval and usage. So, the queues that he is exposed to depending upon the relevance, depending upon the importance; well basically, you know be set up for further consideration, he would pay attention to it, there after there would be receptivity; in case he finds the information queue to be inadequate and insufficient he searches out for more information reception takes place; which finally, he stores in a short-term memory and later on he retains it and transfers it to his long-term memory for further retrieval and usage.

3) Then we move to the third construct or the third variable, EKB model; which is the decision process stage. Now, this decision process stage comprises five stages, where we start with problem recognition, search evaluate the alternative evaluation the choice and the outcomes. So, it is it any time of the information processing stage, whether it is exposure or attention or reception; in any of these stages depending upon the product or service category, depending upon the consumer and its personality type and its psychographic characteristics also, depending upon the situation, purchase situation of the time available in hand; the consumer could enter into this stage at any of these stages, whether it is of exposure or attention or a reception; at any of these information processing stages the consumer could enter into the decision process stage. This would as I repeat, this would depend upon the product or service category in question the person himself and the purchase situation. So, at any of the stages or at any of the at any of the time of information processing the consumer could enter into the decision process stage. The process starts with the usual problem recognition, which depending upon the input importance of the purchase; well actually, fully to search for the information. This search for information here will mean information about the product category or about the various brands; the consumer will basically rely on internal sources based on his memory if such or sources are seen insufficient he could go in for some search for information and this search activity could also be impacted by certain kinds of environmental forces. So, there is a problem which leads to a search for information about the product category and about the brands, the information search relies basically on internal sources, which is primarily ones memory, in case these sources seem insufficient and in eradicate he searches for external sources or he looks around for more information and he talks to his friends, peers, colleagues or may refer to some kinds of newspapers or spare magazines or journals or especial interest magazines or even talk to the sales person or the dealer and look to websites or other sources of information and this search of information will also be impacted by environmental influences. After he has searched for information, we basically come to evaluating the alternatives, during the evaluations stage you know the consumer's beliefs lead to formation of our attitudes and these attitudes have an impact on purchase intentions. So, if you see hear, the search for information is followed by evaluation of alternatives; consumer's pre dispositions or beliefs or values, will have an impact on for attitude formation and these attitudes will further lead to a purchase intention on the part of the consumer. This leads to the fourth stage, which is and the fifth stage, which is the choice and purchase, which majorly get impacted by individual differences, could be motives could be personality, could be life style, could be other psychographic components; it also gets affected by normative compliance and normative compliance meaning compliance to social norms and social approval and for also gets impacted by anticipated and unanticipated circumstances. So, the choice or and the purchase is basically impacted by a person's individuals differences in terms of his motives, personality, life

style, psychographics also in terms of the normative compliance and both anticipated and unanticipated circumstances. So, these you know you have the product and brand evaluation impacting these search process and the choice; similarly, you have the general motivating influences, which impact the product choice and also the purchase outcome. Finally, there is the purchase outcome, which may be positive or negative and it manifests itself in the form of satisfaction or dissatisfaction. Whatever be the outcome, whether satisfaction or dissatisfaction it is going to lead to as a feedback on the input or the information input again. Now this outcome could also, be the form of dissonance or an uncertainty or an anxiety or feeling of tension anxiety, which a consumer may face post purchase. So, both satisfaction and dissonance is going to have an impact later on, the information on the purchase process in the next cycle for example, satisfaction will have an impact and gets stored as an experience into ones memory; similarly, dissonance or anxiety or tension will have an impact on further search or further search for information to basically reassure himself or of himself that is made the right choice. In any case, the outcome acts as the feedback on the output and impacts the entire purchase cycle again.

4) So, we have the various environmental influences the individual influences and the social influences, which directly or indirectly influence each of the stages of the decision process. If you see, the environmental influences are in the form of a culture or values or anticipated, unanticipated influences; similarly, individual influences in the form of psychographic influences and social influences in the form of normative compliance, will have an impact directly or indirectly on the purchase process. Now, these influences could actually take form of general motivating influences and internalized environmental influences. Now, EKB proposed both Engel, Kollat and Blackwell actually proposed, that it is not always necessary for a consumer to go through all of these stages of the buying process; it would actually depend a lot upon the, whether the problem is an extensive problem solving or it is a routinized purchased. So, it is not absolutely essential for a consumer to go through all these five stages of the decision making process, it will actually depend upon you know the product or services category in question, whether it is a high-involvement purchases or low-involvement purchase, whether it is a first time purchase or it the routinized purchase the whether the level of perceived risk is high or low. In other words we are talking of whether it is extensive problem solving or a limited problem solving. Now, let us come next to the decision process variables, now the decision process variables; basically speak the model actually, proposes certain individual influences that effect the decision making process. These decision process variables or individual characteristics include contrast like, demographics, motives, beliefs, attitudes, personality, values, life style, normative compliance etc. And then we have finally, the external influences which takes into accounts social and situational influences that effect the decision making process. Social influences include, cultural values and norms reference, groups, families and other normative influences and the situational factors actually include, both anticipated and unanticipated or expected and unexpected circumstances and purchase situations. Now, if you look at the working relationship between the components and the model. Decision process comprises five stages; need recognition or problem recognition to outcome, the outcome in the form of satisfaction or dissatisfaction acts as an input. In the next cycle of similar purchase, each of the components directly or indirectly impacted by environmental influences individual influences and social influences.

Now, if looking beyond let us now comes to the assessment of the model; the model basically incorporates many of the variables, many of the constructs that you know impact consumer decision making. Impact, EKB have put forth and introduced very comprehensive model time to take into account, the various constructs that actually have work or into you know they actually, impact the interplay or the interrelation between these constitutes or these components. Impact consumer decision making in a very you know deep or a very strong way, it basically explains the interrelationships between the various stages of the decision making process like for example, talking about various variables like, relationship between belief attitude and intentions. So, it clearly shows, you know very thoroughly it explains very comprehensively it explains the relationship between the various constructs the relationship between the various components. Like you know something to do with belief to attitude to intension or even put forth evaluate of criteria leading to an intention sorry evaluate criteria, leading to belief, leading to attitude and finally, leading to purchased intention. It defines very nicely, the various construct the various relationship between the various constructs and it also something which the model is very versatile, it has been tested through many product or service categories, through many purchase situations and so it is extremely versatile and it proves it is validity it is reliability; it in a form it is a very robust model, which tries to you know explain the various components in the form of information output, information processing, decision process, you know product brand evaluations, general motivating influences and internalized environmental influences. In a manner a as a model it depicts the relationship between the various constructs in a very meaningful manner and provides lot of insight to what happens in the consumer decision making process, it is an extremely versatile model; which has been tested across various product and service categories various you know purchase situations and it has been it is a model, which been studied very

thoroughly.

## ONLINE BUYING

### Internet use

Internet use has grown rapidly since the mid-1990s. It has been estimated that over 120 million people use the Internet worldwide. The commercial success of websites such as eBay and Amazon are testament to how Internet business can be highly profitable. The importance of e-commerce is becoming ever more evident and Gordon Brown stated in 2009 that the British government intends to boost the digital communications industry as it contributes approximately £50 billion to the economy on a yearly basis (BBC, 2009). The Internet is good for consumers, marketers, manufacturers and retailers alike. From a consumer perspective it enables the consumer to extensively research.

Marketers and manufacturers can also take advantage of simple price comparisons in that it enables them to track what competitors are doing and allows them to price their own products and services accordingly. Retailers can benefit from putting their stores online as it allows them to keep a close eye on their customers because they can follow the movements of visitors using their websites, and collect data about the type of purchases that they make. But perhaps one of the greatest advantages is that for manufacturers and marketers it provides an opportunity to reach a wide range of consumers that they may not otherwise be able to reach.

### The Internet user

Because the Internet is so widely used, it is not possible to say that there is a certain type of Internet user. Men and women of all ages use or are interested in using the Internet, which is why it is so attractive for marketers and manufacturers in that they do not necessarily have to limit their target audience. However, it is worth bearing in mind that not all age groups will be equally able to process the information presented to them online. For example, there is evidence to suggest that older adults will not be able to deal with as much online information as a young person due to diminished working memory capacity and difficulty in storing information. Consequently older consumers are likely to search for and generally read less information than younger ones.

It is also difficult to pinpoint the type of consumers who are reluctant to engage in online shopping. But research has found that consumers who have a tendency to grumble about online shopping are those who don't actually shop online. So if they can be motivated to change their behaviors, they are also more likely to have a positive attitude towards it. However, let's not forget that the Internet is not only used for consumption purposes but also for a wide range of other reasons. One such reason is for social communication. Many online users these days are frequent Internet consumers because it gives them the opportunity to communicate with others.

### Internet consumption

There are differences as well as similarities between Internet shopping and traditional in-store shopping. One key difference is that with Internet shopping there are no location and time constraints, meaning that consumers can source products from other countries if needed and shop at a time of their convenience. Convenience has been identified as one of the main reasons why individuals choose to shop online as well as the possibility of purchasing products at a discounted price. It is therefore hardly surprising that when consumers think that in-store shopping is inconvenient; their intention to shop online is greater. Another factor that also increases the likelihood of online shopping is the type of product that the consumer intends to buy. When consumers are shopping for goods that require personal inspection prior to purchase, such as perfume, they are less likely to shop online. However, when consumers intend to purchase products that can be thoroughly researched online without needing personal inspection (such as books), they are more likely to shop by using the Internet. In order to understand the Internet consumption process fully it is important to look at how consumers search for information and how they go about making purchase decisions.

### Information search

Researching products online is a common everyday activity. A survey found that as many as 93 per cent of consumers have researched products online. Consumers tend to think more extensively about the products

they find on the Web and request more information than they would if they were exposed to the same products in printed advertisements. This was found when 143 participants had to evaluate two fictitious advertisements (one for a sports car and one for a fast food restaurant) either by seeing them on a computer or as a printed advertisement. Participants who had viewed the advertisements on the computer sought more information and mentioned more attributes than those in the print condition. Such findings suggest that the mere presence of a computer makes people think more about the product encountered, which might be because people have been conditioned into thinking that computers do provide detailed information. In certain circumstances, online shoppers appear to be engaging in a limited number of pre-purchase information searches before deciding which product to buy. Even though research in this area is only in its infancy, there is evidence to suggest that many online consumers are loyal to a single site. Consequently, an Internet site that consumers have had previous experience of will be more useful in that it will decrease the mental effort put in. Although consumption activity increases, the time and effort to produce the activity decrease. The ease of using one particular website that consumers are familiar with means that consumers are ultimately learning to be loyal to one site, which explains why consumers fail to shop around online, even though it would be really easy to do.

### **Searching online/buying offline**

Rather than purchasing their products online, some people prefer to purchase them in a traditional retail environment, even though they use the World Wide Web (WWW) to gather product information. This shopping strategy has certain advantages for in-store consumers, in that it can help them make a more informed choice while in store, even though it is a disadvantage for online retailers. There are likely to be several underlying reasons why consumers engage in searching online and buying offline tactics. One explanation might be that when individuals have a 'need to touch' products, they will not buy the product until they have had an opportunity to touch it. Another explanation can be because consumers are frequently presented with new ways to shop. With multiple options (e.g. the Internet, catalogue and in-store) consumers often rely on more than one product source, presenting certain difficulties to the seller. One problem in particular is that the trader may lose the customer at some point during the shopping process. In light of this, it has been proposed that there are three different aspects that can explain why a potential customer may not conduct their purchase online: tradition that the Internet tends to have a strong search attribute advantage (ease of gathering information), while shops have a strong purchase attribute advantage (speed of obtaining a product).

- in (the ability to retain customers across different stages such as search and purchase).

- channel synergy (when searching for information from a particular source can enhance the purchase experience from another source) might occur between the Internet and traditional stores.

### **Online decision-making**

The consumer decision-making process is complex. Naturally the same strategies that are used to make other types of decisions are also used to make shopping decisions online. However, there are some aspects of online decision-making that warrant further exploration. These include how Web information is presented and how the vast amount of choice available on the www can impact upon the purchase likelihood and outcome, as well as who consumers blame when making a bad purchase decision.

### **Web design**

Purchasing decisions online are often constructed while navigating through Internet stores, meaning that the actual page layout can be a determining factor in predicting purchases (Mandel & Johnson, 2002). Design features have been found to operate implicitly upon the choices Internet users make. This is evident from a study conducted by Mandel and Johnson (2002) where they manipulated the background pattern of Internet car shopping sites. They altered the backgrounds so that they were designed to relate either to frugality or quality. Their findings showed that when participants had been exposed to backgrounds in line with thrift goals, they were more likely to choose an inexpensive but less safe car. However, those who had been exposed to backgrounds representative of safety goals (quality) showed a clear preference for more expensive but safer cars. Knez and Niedenthal (2007) also produced findings that support the notion that altering the design of computer-related information can impact upon the user. In their study they tested if different types of lighting in games had the capacity to change the way the players felt and performed. They found that players



performed best when exposed to warm colored lighting (i.e. red) compared to cool colored lighting (i.e. blue). The warm colored lighting was also found to induce pleasantness in the players.

### ***Amount of choice***

Making purchase decisions online can be daunting as there are almost endless amounts of information that can be accessed. With a vast number of options to choose from consumers can feel uneasy which will in turn affect whether or not a decision is made. Too much choice can decrease the likelihood of purchase and if they do make a purchase, the item bought will be viewed as less satisfactory when it has been chosen from a larger selection. The applicability of this to online purchases was shown in a study by Griffin and Broniarczyk (2008) when they asked participants to take part in an Internet search task. Participants were more likely to conduct extensive searches when options were non-alignable than when they were alignable. Non-alignable differences between products are unique, e.g. a house that has a pool versus one that has a garden, while alignable differences relate to a single dimension, such as a 40 ft. garden versus a 60 ft. garden. The authors concluded that the extensive search that participants engaged in when faced with non-alignable choices led to decreased satisfaction because of the difficult trade-offs they had to make. However, it needs to be remembered that online customers only tend to engage in extensive information searches for certain types of products, which means that the likelihood of feeling less satisfied is probably limited to certain product categories.

### ***Who to blame for poor decision-making?***

When consumers use computers to assist in their purchase decisions they sometimes blame them when the decision does not turn out to be satisfactory. This is in line with the theory of self-serving bias that proposes that people have a tendency to take credit for positive outcomes and blame others or something else for negative outcomes. People engage in self-serving bias in order to protect their own self-esteem or self-concept. The retrospective positive or negative evaluation of the computer's performance is important in that it will most likely determine the likelihood of future purchases being made using the computer. However, the pattern of blame changes when consumers have a history of intimate self-disclosure (the sharing of intimate information and feelings) with a computer. Relationships researchers have established that being sensitive and responsive to partners both develops and maintains relationships. When closeness has been established to another person, an individual's self-concept expands so that it also incorporates the other. Bearing in mind that consumers

feel that non-animate objects are very important to them and a part of who they are, it is not surprising if they can also engage in self-disclosure with material possessions. Indeed, it has been found that when consumers come across computers they do treat them as social encounters and consequently they can make social attributions toward the computer. This is why the pattern of blame changes when consumers have a history of intimate self-disclosure with the computer. They are then more likely to accept responsibility and instead credit the computer for the positive decisions made.

## **OMNI CHANNEL SHOPPING BEHAVIOR**

### ***Who are omnishoppers?***

In recent years, advances in technology have enabled further digitalization in retailing, while also posing certain challenges. More specifically, the evolution of interactive media has made selling to consumers truly complex. With the advent of the mobile channel, tablets, social media, and the integration of these new channels and devices in online and offline retailing, the landscape has continued to evolve, leading to profound changes in behavior of consumers.

A growing number of customers use multiple channels during their shopping journey. These kinds of shoppers are known as **omnishoppers**, and they expect a seamless experience across channels. For example, an omnishopper might research the characteristics of a product using a mobile app, compare prices on several websites from their laptop, and, finally, buy the product at a physical store. This approach uses new technology to search for information, offer opinions, explain experiences, make purchases, and talk to the brand. In an omnichannel environment, channels are used seamlessly and interchangeably during the search and purchase process, and it is difficult if not virtually impossible for retailers to control this use.

Many researchers consider mobile commerce to be the second wave of e-commerce. We believe that omnichannel commerce could be the third wave. Most studies on end-user beliefs and attitudes are conducted long after the systems have been adopted; while initial adoption is the first step in long-term usage, the factors



affecting usage may not be the same as those influencing the initial adoption, or the degree of their effect may vary. The omnichannel concept is perceived as an evolution of multichannel retailing. While multichannel retailing implies a division between the physical and online store, in the omnichannel environment, customers move freely among channels (online, mobile devices, and physical store), all within a single transaction process. Omnis is a Latin word meaning —all or —universal, so omnichannel means —all channels together. Because the channels are managed together, the perceived interaction is not with the channel, but rather the brand.

Here's what a seamless, unified omni-channel experience means:

☐ A person visits your retail store and browses through the products. He scans it through your app, adds it to his cart and makes a purchase from home later.

☐ Or, a person visits your offline store and purchases a trouser. He then gets notified about the availability of similar styles of trousers on the online store.

#### **Implications for Retailers**

To take advantage of the growing internet access of households, retailers have developed strategies for communicating with their customers:

☐ Consumers use various channels to satisfy their needs and wants for products and services. Retailers can profit from operating on several channels because cross channel shoppers are more profitable than single channel shoppers.

☐ Cross channel shoppers spend more money and are more loyal than single channel shoppers. Retailers have strategies for reaching their customers through one or more channels. They can have a single channel, multichannel, cross channel or omni-channel strategy.

☐ Some single channel retailers have a brick and mortar shop and also a website, but this website is not used for commercial activities. The customer is primarily managed in the shop. Those single channel retailers can be small retailers with brick and mortar shops as well as big retailers.

☐ Retailers which are involved in several channels for their commercial activities can be multi-channel, cross channel or Omni channel retailers. The difference between those types of retailers is in their strategy.

☐ In multi-channel retailing, every channel has its own strategy. The branding of each channel is managed separately. Cross channels retailers and omni-channel retailers have one strategy for all channels. The customer is the central object in their strategy.

☐ In Omni channel retailing, consumers switch continuously between channels. The experience of customers is managed in all channels and improved by a cross channel dialogue. Omni channel shopping gives consumers a blended online and offline experience during their customer journey.

Broadly, there are three shopping behaviors that are forcing the supply chains of omni-channel retailers

1. A desire for free shipping
2. Growing demand for Buy-Online, Pick up in Store (BOPS)
3. Checking store inventory before going into the store

#### **1. A desire for free shipping**

Thanks to the explosion of Amazon Prime and similar programs from other large retailers, customers have come to expect free shipping when they shop online. In fact, studies show that a large percentage of ecommerce shoppers will use shipping costs to choose which website they buy from. If they don't or can't select the provider with free shipping, they will compare the total cost (product + shipping) of a product between providers and go with the cheapest option. <https://www.conveyco.com/wp-content/uploads/2016/06/free-shipping-1.jpg>

This is great for the consumer because it gives them the ability to make the cheapest purchase, but it has raised the bar for all retailers.

Merchants cannot raise the sell price of the product to cover the shipping cost due to fierce competition from other retailers. This forces supply chains to absorb the cost of shipping. In order to maintain reasonable profit margins, the supply chain of a retailer must find ways to reduce other operating or freight costs.

With parcel freight options being limited, distribution center managers have little choice but to reduce their order fulfillment costs. This could be achieved through the smart implementation of new technologies, such as automated shipping systems that help retailers avoid dimensional weight surcharges and find other savings, or it could be by making smarter partnerships with carriers.

#### **2. Growing demand for Buy-Online, Pickup in Store (BOPS)**

In the past, when a customer needed to make a purchase, they needed to go to a physical store and buy that item. Ecommerce added a layer of convenience by allowing a customer to shop online so that they could

receive the product at home.

But what about customers who expect free shipping from retailers who just can't afford to offer the option? That's where buy-online, pick up in store (BOPS) comes into play.

BOPS is a variation on free shipping, where the consumer gets their purchase shipped to the store nearest to them, free of charge. The consumer has to go to the store instead of having it delivered to their home, but it is still a popular choice for both the retailer and the consumer.

From the outside, the strategy seems simple: Instead of picking, packing, and shipping a small order (usually 1-2 line items), the distribution center just puts that product on the delivery truck that is already going to the store. But the reality is that it is much more complex for supply chain operations than one might expect.

First, if the retailer was responsive to the —Dotcom era consumer who only ordered online for home delivery, they may have built one or two standalone ecommerce fulfillment centers. This was effective at the time, but is not practical for omni-channel fulfillment because the ecommerce inventory is in a different location from the retail distribution center, and cannot get on the delivery truck without unacceptable time and cost. Second, the physical task of packing, consolidating, and loading small consumer orders with large retail truckloads is more difficult and costly than it may seem. It requires additional handling, coordination, and new packaging methods.

### **3. Checking store inventory before going into the store**

This should be obvious, but customers don't want to waste time traveling to a store only to find out that the store either doesn't carry a particular item or that the item is out of stock. (This can be of special concern for consumers living in more remote locations, where getting to a retailer is more of a trek.) If a customer is going to drive to a store, they want to be sure that the item that they need is going to be in stock.

[https://www.conveyco.com/wp-content/uploads/2015/02/SoftwareGraphic\\_2015NOV\\_4final.jpg](https://www.conveyco.com/wp-content/uploads/2015/02/SoftwareGraphic_2015NOV_4final.jpg) In the past, some customers may have tackled this problem by calling the store ahead of time to ask if they had a certain item in stock. While this was helpful to the customer, it could be expensive for the retailer, who had to pay a customer service representative to physically walk the aisles or check the inventory system to confirm status. And of course, it could also be time-consuming for both the employee making the check, and the customer on hold.

Today's customers are not willing to wait around on hold while someone checks the back inventory. They want to know instantly whether or not an item is in stock so that, if they need to, they can make plans to go elsewhere. They want to go online and check the inventory of the local store (many times multiple stores) to minimize their travel time. This behavior has influenced a lot of change and cost behind the scenes at retailers pursuing omni-channel strategies.

Retailers have historically relied upon different facilities to fulfill different kinds of orders, with certain facilities servicing brick-and-mortar stores and other facilities fulfilling ecommerce order. Each of these facilities may have its own inventory management system.

Retailers have also historically used separate software platforms for their stores and distribution centers. A store kept its own inventory, and so did the distribution center.

Today, the consumer wants to know, through retailer's website, if the product is already in a store or (if it isn't) when it can be delivered to that store for pick up. But in order to provide the customer with the inventory visibility that they demand, a retailer must essentially merge all of its various inventory software systems into a single new system—no small feat for an established operation.

### **The Benefits of an Omni-channel Approach**

An omni-channel approach focuses on providing a personalized experience to the user. It uses the customers' perspective and his interest to deliver an interesting and effective brand message and experience. Let's go through some of its benefits one by one:

📌 **Stronger brand identity:** Omni-channel stresses on enforcing a consistent brand image and creating a sense of familiarity with the customer to forge a stronger bond. Since there is no great contrast or conflict between the user-experience on different channels in an omni-channel marketing approach, the consistent brand identity established is very concrete and stays for a long time in the user's mind.

📌 **Personalization according to consumer touch points:** Customers engage with your brand in different ways across different platforms. Their habits and preferences may vary from one channel to another. An omni-channel strategy factors in these insights and tailors the communication for each channel accordingly, while retaining the essence of the core message.

📌 **Customer at the core:** Omni-channel strategy can be compared to a spider web. The customer, who is at the heart of it, uses different channels to interact and can effortlessly switch between them. All communications are designed and executed in one voice to minimize any confusion in the customer's psyche regarding the brand identity.

📌 **Enhanced consumer experience:** Omni-channel is a smart approach that uses data to analyze a customer's behavior and aims to eliminate effort from their shopping experience.

For example, Orvis, a sports good retailer, analyzed its data to find out that most of their target customers are affluent people 50 years of age or more. This demographic, while not being extremely tech-savvy, is still interested in using modern e-commerce tools. So, Orvis equipped its store employees with tablets that had CRM and e-commerce tools pre-installed. These tools can order out-of-stock products to the store and they charge customers for both online and in-store purchases. Also, if the customers need some assistance, they can find an employee and use their tablet to learn more about an offer.

In addition to improving customer experience, this approach provided Orvis with important data. Through the CRM tool on the tablet that records customer information, Orvis employees can now recognize loyal customers who walk into a store. Employees can also record customer shopping history and habits to provide the marketing team with insights relevant to planning more effective offers.

### **Comparing Multichannel & Omni-Channel Strategy**

#### **THE CONSUMER DECISION JOURNEY**

If marketing has one goal, it's to reach consumers at the moments that most influence their decisions. That's why consumer electronics companies make sure not only that customers see their televisions in stores but also that those televisions display vivid high-definition pictures. It's why Amazon.com, a decade ago, began offering targeted product recommendations to consumers already logged in and ready to buy. And it explains P&G's decision, long ago, to produce radio and then TV programs to reach the audiences most likely to buy its products—hence, the term —soap opera.

Marketing has always sought those moments, or touch points, when consumers are open to influence. For years, touch points have been understood through the metaphor of a —funnel —consumers start with a number of potential brands in mind (the wide end of the funnel), marketing is then directed at them as they methodically reduce that number and move through the funnel, and at the end they emerge with the one brand they chose to purchase (Exhibit 1). But today, the funnel concept fails to capture all the touch points and key buying factors resulting from the explosion of product choices and digital channels, coupled with the emergence of an increasingly discerning, well-informed consumer. A more sophisticated approach is required to help marketers navigate this environment, which is less linear and more complicated than the funnel suggests. We call this approach the consumer decision journey. Our thinking is applicable to any geographic market that has different kinds of media, Internet access, and wide product choice, including big cities in emerging markets such as China and India.

#### **How consumers make decisions**

Every day, people form impressions of brands from touch points such as advertisements, news reports, conversations with family and friends, and product experiences. Unless consumers are actively shopping, much of that exposure appears wasted. But what happens when something triggers the impulse to buy? Those accumulated impressions then become crucial because they shape the initial-consideration set: the small number of brands consumers regard at the outset as potential purchasing options.

The funnel analogy suggests that consumers systematically narrow the initial-consideration set as they weigh options, make decisions, and buy products. Then, the post-sale phase becomes a trial period determining consumer loyalty to brands and the likelihood of buying their products again. Marketers have been taught to —push marketing toward consumers at each stage of the funnel process to influence their behavior. But our qualitative and quantitative research in the automobile, skin care, insurance, consumer electronics, and mobile telecom industries shows that something quite different now occurs.

Actually, the decision-making process is a more circular journey, with four primary phases representing potential battlegrounds where marketers can win or lose: initial consideration; active evaluation, or the process of researching potential purchases; closure, when consumers buy brands; and post-purchase, when consumers experience them. The funnel metaphor does help a good deal—for example, by providing a way to understand the strength of a brand compared with its competitors at different stages, highlighting the bottlenecks that stall adoption, and making it possible to focus on different aspects of the marketing challenge. Nonetheless, we found that in three areas profound changes in the way consumers make buying decisions called for a new approach.

#### **Brand consideration**

Imagine that a consumer has decided to buy a car. As with most kinds of products, the consumer will immediately be able to name an initial-consideration set of brands to purchase. In our qualitative research, consumers told us that the fragmenting of media and the proliferation of products has actually made them reduce the number of brands they consider at the outset. Faced with a plethora of choices and communications, consumers tend to fall back on the limited set of brands that have made it through the wilderness of messages. Brand awareness matters: brands in the initial-consideration set can be up to three times more likely to be purchased eventually than brands that aren't in it. Not all is lost for brands excluded from this first stage, however. Contrary to the funnel metaphor, the number of brands under consideration during the active-evaluation phase may now actually expand rather than narrow as consumers seek information and shop a category. Brands may —interrupt the decision-making process by entering into consideration and even force the exit of rivals. The number of brands added in later stages differs by industry: our research showed that people actively evaluating personal computers added an average of 1 brand to their initial-consideration set of 1.7, while automobile shoppers added 2.2 to their initial set of 3.8. This change in behavior creates opportunities for marketers by adding touch points when brands can make an impact. Brands already under consideration can no longer take that status for granted.

### **Empowered consumers**

The second profound change is that outreach of consumers to marketers has become dramatically more important than marketers' outreach to consumers. Marketing used to be driven by companies; —pushed on consumers through traditional advertising, direct marketing, sponsorships, and other channels. At each point in the funnel, as consumers whittled down their brand options, marketers would attempt to sway their decisions. This imprecise approach often failed to reach the right consumers at the right time. In today's decision journey, consumer-driven marketing is increasingly important as customers seize control of the process and actively —pull information helpful to them. Our research found that two-thirds of the touch points during the active-evaluation phase involve consumer driven marketing activities, such as Internet reviews and word-of-mouth recommendations from friends and family, as well as in-store interactions and recollections of past experiences. A third of the touch points involve company-driven marketing. Traditional marketing remains important, but the change in the way consumers make decisions means that marketers must move aggressively beyond purely push-style communication and learn to influence consumer-driven touch points, such as word-of-mouth and Internet information sites. The experiences of US automobile manufacturer's shows why marketers must master these new touch points. Companies like Chrysler and GM have long focused on using strong sales incentives and in-dealer programs to win during the active-evaluation and moment-of purchase phases. These companies have been fighting the wrong battle: the real challenges for them are the initial-consideration and post-purchase phases, which Asian brands such as Toyota Motor and Honda dominate with their brand strength and product quality. Positive experiences with Asian vehicles have made purchasers loyal to them, and that in turn generates positive word-of-mouth that increases the likelihood of their making it into the initial-consideration set. Not even constant sales incentives by US manufacturers can overcome this virtuous cycle.

### **Two types of loyalty**

When consumers reach a decision at the moment of purchase, the marketer's work has just begun: the post-purchase experience shapes their opinion for every subsequent decision in the category, so the journey is an ongoing cycle. More than 60 percent of consumers of facial skin care products, for example, go online to conduct further research after the purchase—a touch point unimaginable when the funnel was conceived. Although the need to provide an after-sales experience that inspires loyalty and therefore repeat purchases isn't new, not all loyalty is equal in today's increasingly competitive, complex world. Of consumers who profess loyalty to a brand, some are active loyalists, who not only stick with it but also recommend it. Others are passive loyalists who, whether from laziness or confusion caused by the dizzying array of choices, stay with a brand without being committed to it. Despite their claims of allegiance, passive consumers are open to messages from competitors that give them a reason to switch. Take the automotive-insurance industry, in which most companies have a large base of seemingly loyal customers who renew every year. Research found as much as a six-fold difference in the ratio\ of active to passive loyalists among major brands, so companies have opportunities to interrupt the loyalty loop. The US insurers GEICO and Progressive are doing just that, snaring the passively loyal customers of other companies by making comparison shopping and switching easy. They are giving consumers reasons to leave, not excuses to stay. All marketers should make expanding the base of active loyalists a priority, and to do so they must focus their spending on the new touch points. That

will require entirely new marketing efforts, not just investments in Internet sites and efforts to drive word-of-mouth or a renewed commitment to customer satisfaction.

### **Aligning marketing with the consumer decision journey**

Developing a deep knowledge of how consumers make decisions is the first step. For most marketers, the difficult part is focusing strategies and spending on the most influential touch points. In some cases, the marketing effort's direction must change, perhaps from focusing brand advertising on the initial-consideration phase to developing Internet properties that help consumers gain a better understanding of the brand when they actively evaluate it. Other marketers may need to retool their loyalty programs by focusing on active rather than passive loyalists or to spend money on in-store activities or word-of-mouth programs. The increasing complexity of the consumer decision journey will force virtually all companies to adopt new ways of measuring consumer attitudes, brand performance, and the effectiveness of marketing expenditures across the whole process. Without such a realignment of spending, marketers face two risks. First, they could waste money: at a time when revenue growth is critical and funding tight, advertising and other investments will be less effective because consumers aren't getting the right information at the right time. Second, marketers could seem out of touch—for instance, by trying to push products on customers rather than providing them with the information, support, and experience they want to reach decisions themselves. Four kinds of activities can help marketers address the new realities of the consumer decision journey:

*a) Prioritize objectives and spending:* In the past, most marketers consciously chose to focus on either end of the marketing funnel—building awareness or generating loyalty among current customers. Research reveals a need to be much more specific about the touch points used to influence consumers as they move through initial consideration to active evaluation to closure.

*b) Tailor messaging:* For some companies, new messaging is required to win in whatever part of the consumer journey offers the greatest revenue opportunity. A general message cutting across all stages may have to be replaced by one addressing weaknesses at a specific point, such as initial consideration or active evaluation.

*c) Invest in consumer-driven marketing:* To look beyond funnel-inspired push marketing, companies must invest in vehicles that let marketers interact with consumers as they learn about brands. The epicenter of consumer-driven marketing is the Internet, crucial during the active-evaluation phase as consumers seek information, reviews, and recommendations.

*d) Win the in-store battle:* Our research found that one consequence of the new world of marketing complexity is that more consumers hold off their final purchase decision until they're in a store. Merchandising and packaging have therefore become very important selling factors, a point that's not widely understood. Consumers want to look at a product in action and are highly influenced by the visual dimension: up to 40 percent of them change their minds because of something they see, learn, or do at this point—say, packaging, placement, or interactions with salespeople.

### **The new consumer decision journey**

In the past few years, brands have been playing catch-up, investing in new technologies and capabilities in a bid to regain relevance with shoppers and exert greater influence over how they make purchasing decisions. Our experience advising more than 50 companies and researching more than 200 on best practices for building digital capabilities—coupled with detailed conversations with dozens of chief digital officers and more than 100 digital business leaders worldwide—has convinced us that brands today can not only react to customers as they make purchasing decisions but also actively shape those decision journeys. A set of technologies is underpinning this change, allowing companies to design and continuously optimize decision journeys. More important, companies today can use journeys to deliver value to both the customer and the brand. Companies that do this well can radically compress the consideration and evaluation phases—and in some cases even eliminate them—during the purchase process and catapult a consumer right to the loyalty phase of the relationship (exhibit). The journey itself is becoming the defining source of competitive advantage.

We've found that a company's ability to deliver that value relies on four distinct but interconnected capabilities:

1. *Automation* streamlines journey steps. One example is letting people take a picture of a check and deposit it through the bank's app rather than doing it in person. While automation of processes is highly technical, the



focus is on enabling simple, useful, and increasingly engaging experiences.

2. *Proactive* personalization uses information about a customer—either based on past interactions or collected from external sources—to instantaneously customize the experience. Remembering customer preferences is a basic example of this capability, but it extends to personalizing and optimizing the next steps in a customer's journey, such as immediately putting a valued traveler on an upgrade list.

3. *Contextual* interaction uses knowledge about where a customer is in a journey to deliver them to the next set of interactions, such as a retail site showing a customer the status of a recent order on the home page. Some hotels are experimenting with using their app to operate like a key when a customer gets to his or her room.

4. *Journey* innovation extends the interaction to new sources of value, such as new services, for both the customer and the brand. Companies mine their data and insights about a customer to figure out what adjacent service her or she might appreciate. The best companies design journeys that enable open-ended testing to allow for constant prototyping of new services or features.

### THE INFLUENTIAL DIGITAL SUBCULTURES – MODERN WOMEN & NETIZENS

#### Women: Growing the Market Share

The female market is also a logical one for marketers to pursue. Not only is its size enormous, the segment profile is also distinctive. Highlighting the psychological differences, John Gray metaphorically argues that —men are from Mars, women are from Venus.

The inherent differences between men and women have been a subject for both psychology and marketing. Many experts have put forth their views about marketing to women. Many products, services, and marketing campaigns have been developed specifically for women.

The influence that women have on others is defined by what they do. Rena Bartos, in her book —Marketing to Women Around the World , describes the segmentation of the female market: stay-at-home housewife, plan-to-work housewife, working woman with a job, or career woman. To put it simply, the world of women revolves around family and work. The dilemma they often face is either to choose one alternative or to balance between family and career. But being more suited to multitasking, women are inherently better managers when it comes to complex, multifaceted assignments, at home, at work, or both.

There are three roles that women play:

A) First of all, women are **information collectors**. According to Martha Barletta, a woman's decision-making process differs from a man's. Whereas a man's path-to-purchase is short and straightforward, a woman's resembles a spiral, often going back to previous steps to collect new information and to reassess whether moving to the next step is the right choice. Women typically spend hours in stores reviewing quality and comparing prices as well as hours researching online, while men typically limit their search and go after what they want as quickly as possible.

B) Women actually pay attention to all the information, and they will eventually summarize it for others. In relation to that, women are **holistic shoppers**. The fact that they experience more touchpoints in their spiral path-to-purchase means that they are exposed to more factors for consideration. They are more likely to consider everything functional benefits, emotional benefits, prices, and the like—before determining the true value of products and services. For certain household categories, women consider products' value not only to themselves but to the entire family.

C) They are more loyal and more inclined to recommend their choice to their community. Because of these aforementioned qualities, women are de facto **household managers**. They deserve the titles of chief financial officer, purchasing manager, and asset manager of the family. Not only are they the gatekeepers for most household products, including big-ticket items, women are also the influencers for other products such as investment and financial services.

A Pew Research Center report in 2008 revealed that in 41 per- cent of U.S. households, women were the ones calling the shots whereas in only 26 percent of the households, men were more dominant (in the remainder of the households, they equally split decision making). In Indonesia, the picture is even more striking. Based on a survey by Mark Plus Insight in 2015, about 74 percent of Indonesian women managed all the family finances—controlling even the income of their spouses—although only 51 percent of them were working.

It turns out that the role that women play at home is spreading to the workplace. In 2013, the U.S. Bureau of



Labor Statistics reported that women account for 41 percent of the employees who have the authority to make purchasing decisions for their employers in the United States.

The influence of women at home and at work is growing. As information collectors, holistic shoppers, and household managers, women are the key to win market share in the digital economy. To access even bigger markets, brands will need to get past women's comprehensive decision-making process.

### Netizens

Michael Hauben, who coined the word in the early 1990s, defines netizens ***as the people across geographical boundaries who care about and actively work toward developing the internet for the benefit of the larger world***. Netizens are considered to be the true citizens of democracy because they want to be involved in the development of the internet. They see the world horizontally, not vertically. The content on the internet is created and shared by the people and for the people. But they believe in total democracy and not so much in governance. They embrace openness and sharing with others with no geographical boundaries.

There are 3.4 billion internet users—45 percent of the world's population, according to United Nations estimates. Not all of them can be considered netizens or citizens of the Internet. Forrester's Social Technographics segmentation can help explain why not all internet users deserve to be called netizens. According to the segmentation, there is a hierarchy of internet users, including inactives, spectators (people who watch and read online content), joiners (people who join and visit social media), collectors (people who add tags to webpages and use RSS feeds), critics (people who post ratings and comments online), and creators (people who create and publish online content). The collectors, critics, and creators best characterize the netizens—people who actively contribute to the internet and do not just consume on the internet.

Their role in influencing others is related to their desire to always be connected and to contribute. Netizens are ***social connectors***. We know that netizens love to connect. They talk to one another, and information flows as they converse. Under anonymity, they have fewer risks and therefore are more confident when interacting with others and participating in online conversations. On the internet, their user-names and avatars are their identities.

There are many ways to socially connect on the internet. The most popular are social networking services and instant messaging apps such as Facebook, WhatsApp, QQ, Tumblr, Instagram, and LinkedIn. A relationship on those platforms usually starts as a one-to-one connection between two individuals who know and trust each other. This initial connection will lead to a link between the two individuals' separate networks, creating a many-to-many connection. From the outside, online communities look like webs of strangers, but on the inside, they are webs of trusting friends. Since it is a many-to-many network built on one-to-one relationships, an internet community usually grows exponentially and becomes one of the strongest forms of community.

Netizens are also ***expressive evangelists***. Not revealing their true identities, internet users can be very aggressive in expressing their opinions. The negative side of this is the emergence of cyberbullies, trolls, and haters on the internet. The positive side, however, is the emergence of brand evangelists. Netizens, unlike internet users in general, are more likely to be brand evangelists.

In the internet world, we know the f-factors: followers, fans, and friends. When they are passionate about and emotionally committed to a brand, netizens become the f-factors. They become evangelists or lovers, as opposed to haters, of the brand. Sometimes dormant, they often become active when they need to safeguard their favorite brand against cyberbullies, trolls, and haters. Further, evangelists are also storytellers of the brand who spread the news about brands to their networks. They tell authentic stories from a customer's point of view—a role that advertising can never replace. As netizens who are more high-profile than other internet users, they yield a huge influence, often having a large number of their own followers, fans, and friends.

Netizens are also ***content contributors***. They are called the internet citizens for a reason. Like good citizens contributing to their country, they contribute to the development of the internet. The work of netizens makes life easier for other internet users. With the use of tags, information on the internet is better organized and quality content becomes easier for others to search. By voting for websites, netizens recommend quality websites to others. With product ratings and reviews on the internet, other users can easily discover the best available choice. The most important contribution, however, is to create new content, which can be in multiple formats: articles, whitepapers, e-books, infographics, graphic arts, games, videos, and even movies.

Independent authors write Web pages, blogs, and e-books. Independent musicians and moviemakers create commercial hits by becoming YouTubers and creating content on the video-sharing platform. With new content being created every second, the internet is becoming richer and more useful, which will benefit users and draw non-users to start using the internet. All these grow the netizen population as well as the value of the internet.

Growing exponentially on the basis of emotional and mutually beneficial connections, communities of netizens are the key to expand a brand's heart share. When it comes to communal word of mouth, netizens are the best amplifiers. A brand message will flow along social connections if it receives the netizens' seal of approval.

### Short Type Questions

1. What do you mean by consumer behaviour?
2. What is the significance of consumer behaviour?
3. Who is an esteem buyer?
4. What do you mean by Black Box in consumer behaviour?
5. What do you mean by impulse buying?
6. What is de-marketing?
7. What is evoked set?
8. What do you mean by compulsive buying?
9. What do mean by shoplifting?
10. List down the approaches to study the consumer behaviour?
11. Can you predict behaviour of consumers?
12. What is an attitude? Explain.
13. What is personality?
14. Define the term 'consumer life style'.
15. Explain the term 'motivation'.
16. What is Emotional motives?
17. What is rational motives?
18. What do you mean by perception?
19. What is selective perception?
20. What do you mean by subliminal perception?
21. What do you mean by learning?
22. What do you mean by distributed Learning?
23. What is massed learning?
24. Differentiate needs with wants.
25. What is AIOs?
26. What is classical conditioning or conditioned learning?
27. What is Instrumental conditioning?
28. What do you mean by cues?
29. What are external cues?
30. What are intrinsic cues?

31. What is dogmatism?
32. What do you mean by self-concept?
33. How does family life cycle influence consumer behaviour?
34. What is emotional buying motive?
35. What is visual communication?
36. What is semiotics?
37. What is advertising Resonance?
38. Who are called as visualizers?
39. What are called as verbalisers?
40. What do you mean by inner-directedness?
41. What do you mean by other-directedness?
42. What do you mean by family?
43. What do you mean by family life cycle?
44. What is called as Reference group?
45. What do you mean by consumer conformity?
46. What is meant by social class?
47. What is social comparison theory?
48. What do you mean by culture?
49. What is enculturation?
50. What is acculturation?
51. What do you mean by consumer socialization?
52. What do you mean by subculture?
53. What is cross cultural consumer analysis?
54. Explain consumer ethnocentrism.
55. What is consumer retention?
56. What is customer satisfaction?
57. Who is an opinion leader?
58. Who is an opinion seekers?
59. What do you mean by post purchase dissonance?
60. What do you mean by adoption process?
61. What do you mean by diffusion process?
67. What are the categories of adopters?
68. Who is an innovator?
69. Who is an early adopter?
70. Who is an early majority?
71. Who is a late majority?
72. Who is a laggard?

73. What is relationship marketing?
74. What is Howard - Sheth theory?
75. What is product disposition?
76. What is consumer loyalty?
77. What are the levels of consumer decision making?
78. What is extensive problem solving?
79. What is limited problem solving?
80. What is routinized response behaviour?
81. How does a marketer do on-line marketing?
82. What do you mean by online marketing?
83. List out the advantages of online marketing?
84. List out the disadvantages of online marketing?
86. What is e shopping?
87. Differentiate personal consumer and organisational or industrial consumer.
88. Who are the participants in the consumer buying process?
89. List out the stages of buying process.
90. Who are the participants in the industrial buying process?
91. Who is called as gatekeepers?
92. List out the industrial buying process.
93. What are the different buying situations?
94. What do you mean by consumerism?
95. What do you mean by virtual personality or self?
96. Who is called as gatekeepers?
97. Who are netizens?
98. Who are evangelists?
99. How has the role of modern woman changed in buying decisions?
100. What is the customer's journey/path?

### Long Type Questions

1. Define consumer behaviour. Discuss the steps involved in the process of consumer research.
2. What are the quantitative and qualitative techniques adopted by the marketing firm in conducting primary research into consumer behaviour?
3. Discuss the significance of consumer research for a marketing firm.
4. Discuss the impact of globalization on the Indian consumers and how should a marketing firm operating in the domestic market deal with the changing behaviour of Indian consumers.
5. Write short notes on:
  - (a) Challenges to consumers' research on the Internet

- (b) Historical aspects of consumer research and behaviour
  - (c) Managing consumer research through Internet
  - (d) Relevance of consumer research for a marketing firm
6. Discuss consumer behaviour as per the economic model. Do you agree with the contention that a consumer is an economic man? Substantiate with examples.
  7. Elaborate on Sheth model of industrial buying.
  8. Discuss the Engel, Blackwell, and Miniard model of consumer behaviour.
  9. Elaborate note on the Nicosia model (conflict model).
  10. Discuss the concept of consumer personality. Why is it necessary to understand consumer personality for a student of marketing?
  11. Describe the following, listing their key components:
    - (a) Multi-attribute attitude model
    - (b) The theory of reasoned action
    - (c) The Theory of Planned Behavior
  12. Describe three types of motivational conflicts, citing an example of each from current marketing campaigns.
  13. What are the strategies which marketers can use to increase consumers' involvement with their products?
  14. Using examples, explain the major differences between behavioural and cognitive theories of learning.
  15. Compare and contrast between classical and instrumental conditioning.
  16. How do different types of reinforcement enhance learning?
  17. Identify and describe the three stages of perception.
  18. Does the size of a package influence how much of the contents we eat? Provide an example.
  19. Using examples compare and contrast the concepts of absolute and differential thresholds.
  20. Define the terms 'social class' and 'social stratification'. Explain the factors that bring about social stratification.
  21. Define the term 'culture'. Discuss the constituents of culture.
  22. Why is word-of-mouth more powerful than advertising?
  23. Distinguish between a membership and an aspirational reference group and give an example of each kind.
  24. What is market segmentation for a marketing firm? Explain with the help of examples market segmentation activities being undertaken by an FMCG marketing firm.
  25. Discuss the stages of a Family Life Cycle

## CASE 1

## Evaluating the Consumers' Preferences for Motor Cycles in Rural India

Rural Marketing Research Company had been assigned the task of finding out the consumer preferences for various brands of motorcycles in rural India on different attributes. The client wanted to find out the consumer's attitude and the reasons for buying the brands. Rural Marketing Research Company had selected 100 farmers by way of random sampling from different locations in northern India and had asked the respondents selected to give their preferences for three brands of motorcycles on the following attributes given to the agency by the client:

1. Brand image
2. Resale value
3. Fuel economy
4. Speed
5. Load carrying capacity
6. Maintenance expense
7. After-sales service
8. Price

The farmers had been provided with the formats to rate the motorcycles of company A, B and C on 1 to 10 scales and give his preferences by giving more points to the preferred reasons and lesser points to the lesser preferred vehicles. The farmers had come out with the following preferences:

Attributes assigned	Brand A	Brand B	Brand C	Weightage to attributes
Brand image	(8)	7	6	1
Resale value	7	6	7	1
Fuel economy	7	7	9	2
Speed	8	7	7	2
Load carrying capacity	5	5	6	1
Maintenance expense	8	6	7	2
Price	7	8	8	1



The weighted score had been computed and had been compiled by the company by multiplying the scores accorded by the farmers with the weightage accorded to attributes.

Brand A:  $8*1 + 7*1 + 7*2 + 8*2 + 5*1 + 8*2 + 7*1 = 68$

Brand B:  $7*1 + 6*1 + 7*2 + 7*2 + 5*1 + 6*2 + 8*1 = 66$

Brand C:  $6*1 + 7*1 + 9*2 + 7*2 + 6*1 + 7*2 + 8*1 = 73$

From the above survey carried out, it had become obvious that brand C had scored the highest preference on account of the attributes spelt out by Rural Marketing Research Company, and brand A had scored 68 and brand B had been given 66 points on the attributes and the weightage.

*Source:* It is a hypothetical case study developed by the author for better understanding of the subject matter.

#### DISCUSSION QUESTIONS

1. What is a questionnaire in primary research? Prepare a questionnaire for the survey of 100 motorcycle owners for similar survey to be conducted in your area.
2. Explain the process of random sampling.

#### ACTIVITY

You can conduct and undertake a similar survey of 100 motorcycle owners in your area to find out the consumer preference of three brands currently popular.

## CASE 2

### Use of the Marketing Mix in New Product Launch

Objectives of the case study:

To gain insights into the consumer orientation of the company and the use of marketing mix for the launch of a new product

#### INTRODUCTION

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ABC Pharmaceuticals Limited is a leading global healthcare/pharmaceutical company, with a strong emphasis on the herbal and nutraceutical segments. The company, which was established in 2001 and focused on manufacturing and marketing a range of branded generic pharmaceutical formulations, has rapidly evolved and now engages in the manufacture, marketing and distribution of pharmaceutical and allied healthcare products in the nutraceutical and herbal segments internationally. The company's product portfolio includes renowned international brands such as:

- ▲ ABC herbal healthcare products
- ▲ ABC food supplements
- ▲ ABC confectionary
- ▲ ABC pharma OTC

The company—because of its strong presence in the OTC segment of the market through its products like ABC save (a natural line of dietary supplements designed to help reduce hair loss and enhance hair growth in men and women), ABC herbal which provides intensive nourishment for excessively thinning hair, receding hairlines and breakage—now wanted to enter the market of high quality skin and beauty care products and provide services for skin and beauty care needs of its women customers.

## Company's Consumer Orientation

The company's goal is to have its products as close as possible to its consumers, regardless of where they live. Its aims are to understand its consumers in its many different markets and delight them with innovative products for their hair, skin and beauty care needs, so that it could make a mark in the beginning itself and later on add on other skin and care products to its line of products. The business of the company had grown in the OTC range on its being consumer-led and this focus has helped it grow ABC into one of the well-known brands in the OTC hair care brands in the large parts of the world.

ABC's continuing programme of market research showed a gap in the market.

This led to the launch of ABC herbal facial acne and wrinkle removing cream aimed at middle-aged women. The company expected it to carry the strength of the ABC brand image to the target market of women aged 40 and above, who could soon face the problems of hair care, etc. also later in their life.

ABC herbal facial acne and wrinkle removing cream will help middle-aged women to get into the regular habit of a proper skin care routine to help keep their skin free from acne and wrinkles which could make them look young, healthy and beautiful.

## Product vs Market Orientation

The market can be developed either by a product-oriented approach by creating a good product/range and introducing it to the market or through a market-oriented approach, i.e. by finding a gap in the market and developing a product to fill it.

## Marketing Mix

Having identified a gap in the market, ABC launched ABC herbal facial acne and wrinkle removing cream using an effective balance of the right product, price, promotion and place. This is known as the marketing mix or 'four Ps'. It is vital that a company gets the equilibrium of these four elements correct so that a product will achieve its critical success factors.

The company launched the ABC herbal facial acne and wrinkle removing cream in January 2006, making its entry into the market of skin and beauty care. This product had a new formula based on Chinese herbal formulations, a new and very attractive designed packaging and a name that belonged to its family of ABC Range of Hair Care Products.

This case study shows how an objective marketing mix provides the platform for launching a brand into the market.

## Market Segments

The first stage in building an effective mix is to understand the market. ABC used market research to target key market segments which identifies groups of people with the same characteristics such as age/gender/attitude/lifestyle.

## Market Research

The knowledge and understanding from the research helps in the development of new products. ABC carries out its market research with consumers in a number of different ways. These include:

- ▲ Using focus groups to listen to consumers directly
- ▲ Gathering data from consumers through a variety of different research techniques, e.g. using a questionnaire, etc. filled by 500 women of the age group of 40 and above. The sample of women had been selected by random sampling method all over the country.

## Product Concept Testing with Consumers in Different Markets

ABC had tested the product without disclosing its brand and identity. The product kits containing the samples of ABC herbal facial acne and wrinkle removing cream were distributed to thousands of women through the shopping malls, grocery stores and beauty parlours to know their reactions to the new introduction.

ABC's market research identified that their female consumers in this age bracket of 40 and above would not get time to take care of their skin. These ladies wanted more specialized face care aimed at their own age group that offered a 'beautifying' benefit, along with a solution to the skin problem that comes with growing age. These ladies had been using allopathic based formulations and were not very happy with the results. These ladies would have preferred if the company could launch its own beauty and skin care treatment clinics and offer the service of expert dermatologist's directly to take care of their hair and skin problems.

ABC herbal facial acne and wrinkle removing cream planned for a commercial launch at this stage targeted at women who did not want allopathic medicated products, but wanted a herbal solution to their problem.

Competitors' products, which were based on the formula of allopathic formulations, created lots of rashes on the skin due to its after-effects, and spots on the skin could also be noticed after its usage. This gave ABC a competitive advantage, as it provided a unique bridge between the allopathic solutions market and the home made remedies market.

## U.S.P.

The company ensured the product to make it more effective and more consumer-friendly by making it ready to apply for a short while to help it mix into the outer layer of the skin.

### Product Testing

ABC tested the finished products on a sample group from its target audience before finalizing its commercial launch. This testing resulted in a number of changes to initial laboratory product. The improvements included:

- ▲ Changing the formula of the products to let it mix into the outer layer of the skin. For example, it made its colour look exactly like the variable skin shades of the women of 40 plus.

- ▲ It introduced two sizes of packaging, one that the ladies could carry in their purse and carry bags and the other larger size packs used in commercial beauty parlours.
- ▲ A new modern pack design with a flower pattern and softer moderate colours to appeal the women of this age group.
- ▲ Writing product descriptions and usage instructions on the outer packs, and inserting the usage instructions card inside the packing too.

Each of these changes helped to strengthen its ABC range of hair care too, to meet the needs of the market, as the customer wanted.

## PRICE

Price refers to the willingness and the ability of the customer to pay for the utility and satisfaction he wants from the product. Many factors affect the end price of a product such as:

- ▲ The costs of production
- ▲ The business need to maximize profits or sales
- ▲ A product's price also needs to provide value for the money spent on the product and in competitive market it should attract consumers to buy the product.

There are several pricing strategies that a business can use such as:

- ▲ Cost based pricing – This can either simply cover costs or include an element of profit. It focuses on the product and does not take into account the consumers.
- ▲ Penetration pricing – An initial low price at the introduction stage of product life cycle to ensure that there is a high volume of purchases by the customers from the competitors' products and market share is quickly won. This strategy encourages consumers to develop a habit of buying.
- ▲ Skim the cream pricing – An initial high price at the introduction stage of product life cycle for a unique product encouraging those who want to be 'first to buy' to pay a premium price. This strategy helps a business to gain maximum revenue before a competitor's similar product reaches the market.

On launch, the price for ABC herbal facial acne and wrinkle removing cream was slightly higher than competitive products. This reflected its new formulations, packaging and revolutionary product range. However, the company also had to take into account that the target market was middle-aged women buying the product for their own use and the research had revealed that at this age women are little reluctant to spend more money on themselves. This meant that the price fixed for the product had to offer value for money or it would be out of reach of its target market of women aged 40 and above.

A place refers to:

- ▲ Where a product is sold.
- ▲ How does the product arrive at this place?
- ▲ What are the intermediaries involved in bringing this product at this place?

It means that a business must think about what distribution channels and strategies the company should use. This includes the storage and carrying points between the factory and the retailer after the product has attained its finished, commercial saleable shape and finally reaches the customers.

This includes:

- ▲ Wholesale outlets like the distributors

- ▲ Retail outlets like grosser, chemists, beauty salons, supermarkets or street and colony shops
- ▲ It also includes other ways in which a company can make its products directly available to its target market; for example, through own sales points, through direct mail or the Internet.

ABC herbal facial acne and wrinkle removing cream aimed to use as many relevant distribution channels as possible to ensure the widest reach of its products to its target market. The main channels for the product are retail outlets where consumers expect to find skin care ranges. Around 75% of the company's earlier ABC Hair Care Products are through large retailers and drug stores, super stores, and shopping malls. The balance 25% of sales is done through the grocery stores, colony shops and beauty parlors. Direct channels like the Internet and website sales are not being used so far as the cost of small orders will be too high to handle for direct distribution. Market research shows that around 20% of this age group target market buys products for themselves in the colony grocery stores when shopping with family. Research also shows that the majority of purchasers are actually made by women themselves when buying other items for their families. They are also likely to buy such products from supermarkets whilst doing their grocery shopping.

ABC distributes its OTC range of products through a variety of outlets that are cost-effective but that also reach the highest number of consumers. It uses a central distribution point in different regions. Products arrive from their production plants to these central distribution points of the regions, thereafter these are distributed to retailers using contract vehicles for efficiency for onward delivery to retail stores.

Promotion is how the business tells customers that products are available and persuades them to buy. ABC has a large team of medical and sales representatives and other marketing staff who handle personal selling to trade channels. Promotion is either above-the-line or below-the-line.

- ▲ Above-the-line promotions are directly paid for, for example TV or newspaper advertising.
- ▲ Below-the-line is where the business uses other promotional methods to get the product message across.
- ▲ Events or trade fairs help to launch a product to a wide audience.
- ▲ Events may be business to consumer (B2C), e.g. sponsoring a musical night, organizing a cricket match.
- ▲ Trade fairs are business to business (B2B).
- ▲ Direct mail can reach a large number of people, but is not easy to target specific consumers cost-effectively.
- ▲ Public relations (PR) includes the different ways a business can communicate with its stakeholders, through, for example, newspaper press releases, trade magazines and company bulletins.
- ▲ Other PR activities include sponsorship of high profile events like beauty pageants, fashion shows, charity balls or club sponsorships.
- ▲ Branding – a strong and consistent brand identity differentiates the product and helps consumers to understand and trust the product. This aims to keep consumers buying the product on long term.
- ▲ Sales promotions, e.g. competitions or sampling encourages consumers to buy products in the short term.

ABC had chosen promotional strategies that reflected the lifestyle of its audience and the range of media available. It realized that a 'one way' message, using TV or the press, was not as effective as talking directly to its target group of consumers. Therefore, ABC did not use any above-the-line promotion for ABC facial acne and wrinkle removing cream.

The promotion of ABC herbal facial acne and wrinkle removing cream had been consumer-led. The company used various below-the-line sales promotion routes. ABC identified ways of talking

to its customers of this age group directly.

- ▲ A key part of the strategy is the use of product samples. These allowed the customers to touch, feel, smell and apply the products directly on the skin to remove their doubts of any allergic reactions, etc. Many thousand small pouches of samples containing ABC facial acne and wrinkle removing cream were given away during sample testing. These samples were made available at beauty stores, chemist's shops and grocery stores and shopping malls.
- ▲ ABC facial acne and wrinkle removing cream launched an interactive session with its female customers in the shopping malls in many cities across the country to answer the queries related to the after-effects and other usage instructions.

It also carried articles in the women magazines for the 40 plus ladies to provide them confidence to keep their skin young and wrinkle free.

Electronic media channels had been used to conduct live demonstrations of the products and references relating to ABC facial acne and wrinkle removing cream effectiveness.

ABC facial acne and wrinkle removing cream is a product introduced in the market designed to take care of the aging problems related to the skin in 40 plus women. As such, it has created a distinct positioning for itself in the marketplace. That means that ABC studied and understood its consumer's problems and their need very well and has produced a differentiated herbal product in order to meet their needs. The company has put together a balanced marketing mix consisting of the four elements of product, price, place and promotion to bring the innovative product to market. Its strategy to reach the targeted audience of 40 plus women had been supported by its decision to use the healthy mix of all kinds of media.

*Source:* It is a hypothetical case study developed by the author for better understanding of the subject matter.

#### DISCUSSION QUESTIONS

1. Describe what is meant by a business being 'consumer-led'. Do you find ABC is consumer-led and why?
2. What are the key elements of the marketing mix? Explain how each works with the others.
3. Analyze the marketing mix for ABC Range of Products.
4. Explain the task of sales promotion elements in marketing mix?

#### ACTIVITY

You may visit the local office/distributor of any FMCG products in your area to find out what sales promotion tools are adopted by the company to reach the products and information about the products to the end consumers.

## Nike — Retaining Market Leadership in Sports Shoes

It is very difficult for any advertiser to retain the attention of the modern youth for a longer time. The young people have a very short affiliation to any brand, product or even the mindset. In this age of electronic warfare and Internet access, the media attempts to gain and retain their attention. The wheels of media, however, find the young ones the most difficult segment to communicate with. The young ones today are quite selective in their media preference. It is, therefore, very challenging for any marketer to convey the brand message, create affinity with the young customers and manage to run any kind of customer/brand loyalty programmes. The young ones do not remain committed to the brand preference and keep switching every time a new group affinity crops up in the age cluster in which they move in their daily friendship and interaction.



The marketing of fashion and sportswear by Nike's faces a similar difficult situation in marketing and selling their products to this age group. It is quite an uphill task for the company engaged in selling sports and fashion gears. The market for the sports shoes the world over has been continuously growing. It offers to its customers (young girls and boys) a wide range of sports shoes. It has been observed by the marketers that the age group that wears sports shoes takes to any new innovation in any field very early. They generally can be counted among the early adopters and leaders of all new trends in fashion wear. The adoption at this age may not remain steadfast for a longer period, but it gives a big market segment to begin with at the time of introduction of the products in its life cycle, and growth too comes much faster than is expected by the marketers of the products.

## BACKGROUND

The advent and spread of globalization has brought in a very special kind of treatment to the consumers by the manufacturers. The consumers are being pampered with the best of their choice because the companies have realized that the consumer today is no longer the customer only for the salesman across the counter. He has become the decision influencer of the companies' marketing strategies and policies for future and for their survival. "Companies or marketers cannot hire any fortuneteller to guess the consumer's attitude. Guessing or measuring the consumers' attitude is not a cake walk but this is because predicting consumers' attitude is as tough as predicting consumer's mind" (Beri, G.C., *Marketing Research*, 3rd Ed., Tata McGraw-Hill Publishing Company, New Delhi, 2004).

It has been observed by the companies that in their global operations, different consumers are using different kinds of products in each region. The consumers in every region have their own tastes and reasons for preferences for different brands. Each customer of the company holds opinions and preferences which are different from another. It is only the retailers and local marketers in the regions who can find out the reasons and preferences for the products that the local consumers buy. For example: The south Indian food habits and tastes and preferences are different, when compared to north Indian food habits (Thomas, C, ' *Global Brands Require Flexible Local Network* ', Precision Marketing, September 2005, Vol. 17, No. 45).

Every company has to understand the importance of local tastes and preferences and then only should it apply globalize the local and localize the global in different regions across the continents. McDonald's was able to take a big share of the Indian food market because it did away with its American product line that included beef products for its American customers.

Nokia had to suffer on account of not understanding the local tastes in the wake of its policy of globalization of all brands and designs. The company had tasted success with its soap-bar designed phones. However, the company had to cease production of the flip phones that consumers found irritating to use (Zaccai, G; Global Or Local Make It Both, *Business Week Online*, August 22, 2005). The consumer's mind is different from one another. They are led to many decisions by their innate personality. But in many other cases, the consumers are influenced due to the physiological, demographical, social, cultural, economic, family and business factors. Philip Kotler states that "consumer behaviour is the study of how people buy, what they buy, when they buy and why they buy. It is a subcategory of marketing that blends elements from psychology, sociology, socio psychology, anthropology and economics. It attempts to understand the buyer decision-making process, both individually and in groups. It studies characteristics of individual consumers such as demographics, psychographics, and behavioural variables in an attempt to understand people needs. It also tries to assess influences on the consumer from group such as family friends, reference groups, and society in general. (Phillip Kotler, *Marketing Management Analyses, Planning Implementation and Control*, 8<sup>th</sup> Ed., Prentice Hall International Edition, p. 173).

## Buying Decision Process

Consumers make many buying decisions every day. Companies carry out consistent and extensive research on consumer buying decision, to find out answers to some of the questions mentioned below:

- ▲ What do the consumers buy?
- ▲ Where do they buy?
- ▲ How do they buy?
- ▲ How much do they buy?
- ▲ When do they buy?
- ▲ Why do they buy a product?

In order to find answers to these and many other questions related to consumer buying, we will have to go through the different stages of decision-making. The decision-making stages that a customer has to pass through before he eventually buys a product are as given below. The consumer passes through all five stages with every purchase, but in more routine purchases, consumers often skip or reverse some of these stages (Hawkins, Del, I. Rojer, J. Best and Kenneth, A., *Coney Consumer Behaviour Building Marketing Strategy*, 7th Ed., McGraw-Hill, Boston, 1998).

1. **Need recognition:** The buying process starts when the consumer recognizes his need. The buyer's decision will be governed and influenced by his internal and external stimuli of consumer behaviour. The internal and external stimuli of consumer behaviour will guide him as to which product the consumer should purchase, how much does he want to purchase of those products that he finds reliable and usable.
2. **Information search:** Consumers, in order to satisfy the need recognized by them, search the information from the various supply resources, e.g., personal source, commercial sources, public sources and experimental sources. This forms the process of the buying decision process, i.e., taking place before purchase of the product (Hawkins, Del, I. Rojer, J. Best and Kenneth A. Coney, *Consumer Behaviour: Building Marketing Strategy*, 7th Ed., McGraw-Hill, Boston, 1998).
3. The consumer can get this information related to his search for product buying from any of personal, public and commercial sources. The sources from where he can draw information are:
  - Personal source: family, friends, neighbours, acquaintance, peers, social contacts, face book pages, Internet, direct mailers, etc.
  - Commercial sources: advertising, sales people, dealers, packaging, displays, websites, promotional emails, promotional electronic pages on the Internet.
  - Public sources: mass media (e.g., electronic, print), consumer-rating organizations, etc.
  - Experimental sources: handling, examining, using of the product by himself at the point of purchase and other promotional campaigns.

Consumers receive most of the information about a product from commercial sources, which are provided and controlled by the marketers and product manufacturing companies. The most effective source, however, always remains the personal source. Personal sources become important in influencing the purchase decisions too.

4. **Evaluation of alternatives:** The consumer, before arriving at a purchase and brand decision, evaluates all the alternatives available to him. He looks at the product as a bundle of tangible and intangible attributes with varying manifestations, which can fulfil and satisfy his needs.

The consumer pays more attention to those attributes which are connected with his needs. He is likely to develop a set of brand beliefs about where each brand stands on each attribute.

5. **Purchase decision:** At the evaluating stage, the consumer compares all the brands and develops an intention to purchase a particular product. Generally, the consumer's intention and decision is to buy the most preferred brand. The attitude of others and unexpected situation factors, both directly or indirectly, affect the consumer's final decision to buy a particular brand (Phillip Kotler, *Marketing Management: Analyses, Planning, Implementation and Control*, 8<sup>th</sup> Ed., Prentice Hall, International Edition, p. 173, 2004).
6. **Post purchase behaviour:** The consumer does not necessarily get satisfied when the product is bought. He has to use the product, may be at a later date, but he exhibits his post purchase behaviour immediately after having bought the product. This post purchase behaviour is the outcome of the relationship that the consumer discovers in his expectation and the subsequent satisfaction or disappointment. In case the product purchased meets the consumer's expectations, he will get satisfied. If it exceeds, he is delighted. However, in case the product fails to meet any of the expectations, it creates a dissonance in the mind of the consumer which prevents future purchase by the consumer, till such time when the seller recovers the lost confidence of the consumer in his product or services.

Nike, Inc. is a global sportswear and equipment supplier based in the United States. The company is headquartered near Beaverton, Oregon. It is the world's leading supplier of athletic and apparel and a major manufacturer of sports equipment, with revenue in excess of US\$18.6 billion in its fiscal year 2008 (ending May 31, 2008). As of 2008, it employed more than 30,000 people worldwide ([http://en.wikipedia.org/wiki/Nike,\\_Inc](http://en.wikipedia.org/wiki/Nike,_Inc) accessed on 07, 02, 2011)

## Founder of Nike

Nike was founded in the year 1968 by Philip H. Knight, who is currently the Owner, Chairman, and CEO of the company. Phil Knight completed his education from the University of Oregon and the Stanford Business School in 1962. As an aspiring young businessman, he decided to travel to Japan and speak to the president of "Tiger shoes." He presented himself as an American distributor of athletic equipment when he actually had nothing. He was pretty sneaky; however, he got what he wanted and began selling running shoes under the name of Blue Ribbon Sports (BRS). Once he became bored with selling shoes at sporting events from the back of his truck, he began producing his own athletic apparel, ([nike/history.htm](http://nike/history.htm) 07, 02, and 2011). He renamed his so-called company Nike and hoped for the best to happen. Within the first year, he sold \$8000.00 worth of shoes and only received a \$250.00 profit. After some time, Knight turned to his old coach from school, Bill Bowerman, for advice on what to do next. Phil Knight wanted Nike to stand out above the rest. Once Bill Bowerman came up with the idea for having traction on the bottom of shoes, Nike had finally made its mark.

## The Tough Times Opened Doors of Diversification

The Nike Waffle Trainer stood out and made Nike the most unique shoe company of the 1970s. By the year 1979, Nike was the most well-known shoe company in the world. They no longer just sold shoes but sporting equipment as well. However, the joy of being on top came crashing down when Reebok surpassed Nike with the aerobic phase in athletics. In order to maintain the reputation of Nike, the world's best shoe corporation, Nike struck back by diversifying their shoes for different kinds of sports activities. Nike continued to rise in success throughout its prosperity by signing famous sports players (e.g. Michael Jordan) and using intelligent advertising tactics ([nike/history.htm](http://nike/history.htm)).

Today, Nike is a four billion dollar business that has had its ups and downs. The company takes its name from Nike (Greek *Nikē* meaning the Greek goddess of victory). Nike markets its products under its own brand as well as Nike Golf, Nike Pro, Nike+, Air Jordan, Nike Skateboarding and subsidiaries including Cole Haan, Hurley International, Umbro and Converse.

Nike also owned Bauer Hockey (later renamed Nike Bauer) between 1995 and 2008. In addition to manufacturing sportswear and equipment, the company operates retail stores under the Niketown name. Nike sponsors many high profile athletes and sports teams around the world, with the highly recognized trademarks of “Just do it” and the Swoosh logo.

## Business performance

Nike is sold across approximately 28,000 retail accounts in the United States. During the fiscal year 2004 (FY04), three largest customers accounted for approximately 23% of the total sales in the United States. Outside the United States, they are selling the products in over 120 countries through retail accounts, independent distributors, licensees, subsidiaries and branch offices. They estimate that they may sell to more than 23,000 retail accounts outside the United States, excluding sales by independent distributors and licensees. Nike’s three largest customers outside of the United States accounted for approximately 13 percent of non-U.S. sales ([www.nikebiz.com](http://www.nikebiz.com)).

## Manufacturing sources

Virtually, all Nike products are manufactured by independent contract factories. The contract factory supply chain for Nike brand products involves over 800 factories. Factories move in and out of source base as orders flow from Nike, which in part reflects changing consumer tastes and fashion trends. Any factory that has not received orders for more than 12 months is unauthorized and must obtain a new approval to receive additional production orders.

## Nike brand building

Nike has built itself a solid reputation in the last 30 years. The company’s corporate overview relates the idyllic history of two running buddies from Oregon who grow their idea into one of the largest sports and fitness companies ever. Along the way, they have partnered with other brands such as Cole Haan, Bauer, Freedom of Choice, and most recently the Hurley brand. Nike’s campaigns are usually clever. The connection is established between the brand and the product, even with vague campaigns like “play”, where the logo is not all the prominent.

## Products

Given below are some of the Nike’s products (*Source: [threshold.typepad.com](http://threshold.typepad.com), [cnbc.com](http://cnbc.com), accessed on 7.02.2011*).

- ▲ Nike produces a wide range of sports equipment. Their first products were track running shoes. They currently also make shoes, jerseys, shorts, baselayers, etc. for a wide range of sports including track and field, baseball, ice hockey, tennis, association football (soccer), lacrosse, basketball and cricket. *Nike Air Max* is a line of shoes first released by Nike, Inc. in 1987.
- ▲ The most recent additions to their line are the *Nike 6.0*, *Nike NYX*, and *Nike SB* shoes, designed for skateboarding. Nike has recently introduced cricket shoes, called *Air Zoom Yorker*, designed to be 30% lighter than their competitors. In 2008, Nike introduced the *Air Jordan XX3*, a high-performance basketball shoe designed with the environment in mind.

- ▲ Nike sells an assortment of products, including shoes and apparel for sports activities like association football, basketball, running, combat sports, tennis, American football, athletics, golf and cross training for men, women, and children. Nike also sells shoes for outdoor activities such as tennis, golf, skateboarding, association football, baseball, American football, cycling, volleyball, wrestling, cheerleading, aquatic activities, auto racing and other athletic and recreational uses. Nike is well known and popular in youth culture, chav culture and hip hop culture as they supply urban fashion clothing. Nike recently teamed up with Apple Inc. to produce the Nike product which monitors a runner's performance *via* a radio device in the shoe which links to the iPod nano.

## Manufacturing

Nike has contracted with more than 700 shops around the world and has offices located in 45 countries outside the United States. Most of the factories are located in Asia, including Indonesia, China, Taiwan, India, Thailand, Vietnam, Pakistan, Philippines, and Malaysia.

## Nike's marketing strategy

Marketing strategy of Nike's is the major reason for the company's success. Nike is positioned as a premium-brand, selling well-designed and expensive products. Nike lures customers with a marketing strategy centering on a brand image which is attained by distinctive logo and the advertising slogan: "Just do it".

## Nike's marketing mix

Nike's marketing mix contains many elements besides promotion. These are summarized below:

## Advertising

In 1982, Nike aired its first national television ads, created by newly formed ad agency Wieden+Kennedy, during the New York Marathon. This was the beginning of a successful partnership between Nike and W+K that remains intact today. The Cannes Advertising Festival has named Nike its *Advertiser of the Year* on two separate occasions, the first and only company to receive that honor twice (1994, 2003).

Nike also has earned the Emmy Award for best commercial twice since the award was first created in the 1990s. The first was for "The Morning After," a satirical look at what a runner might face on the morning of January 1, 2000 if every dire prediction about Y2K came to fruition. The second Emmy for advertising earned by Nike was for a 2002 spot called "Move," which featured a series of famous and everyday athletes in a stream of athletic pursuits.

## Sponsorship

Nike promotes its products by sponsorship agreements with celebrity athletes, professional teams and college athletic teams. Nike pays top athletes in many different sports to use their products and promote/advertise their technology and design. Nike's first professional athlete endorser was Romanian tennis player Ilie N stase, and the company's first track endorser was distance running legend Steve Prefontaine. Prefontaine was the prized pupil of the company's co-founder Bill Bowerman while he coached at the University of Oregon.

Besides Prefontaine, Nike has sponsored many other successful track & field athletes over the

years such as Carl Lewis, Jackie Joyner-Kersey and Sebastian Coe. However, it was the signing of basketball player Michael Jordan in 1984, with his subsequent promotion of Nike over the course of his storied career with Spike Lee as Mars Blackmon, which proved to be one of the biggest boosts to Nike's publicity and sales.

During the past 20 years, Nike has been one of the major clothing/footwear sponsors for leading tennis players. Some of the more successful tennis players currently or formerly sponsored by Nike include: James Blake, Jim Courier, Roger Federer, Lleyton Hewitt, Juan Martin Del Porto, Andre Agassi, Rafael Nadal, Pete Sampras, Marion Bartoli, Lindsay Davenport, Daniela Hantuchová, Mary Pierce, Maria Sharapova, and Serena Williams.

Nike sponsors several of the world's top golf players, including Tiger Woods, Trevor Immelman and Paul Casey. Nike also sponsors various minor events including Hoop It Up (high school basketball) and The Golden West Invitational (high school track and field). Nike uses web sites as a promotional tool to cover these events. Nike also has several websites for individual sports, including [nikebasketball.com](http://nikebasketball.com), [nikefootball.com](http://nikefootball.com), and [nikerunning.com](http://nikerunning.com)

*Sources:* This case has been adapted from [http://en.wikipedia.org/wiki/Nike,\\_Inc](http://en.wikipedia.org/wiki/Nike,_Inc), accessed on 7 February, 2011 and <http://www.nike.com/>, accessed on 7 February, 2011.

#### DISCUSSION QUESTIONS

1. Discuss the steps involved in the buying decision process of a consumer with references to sports shoes.
2. Explain Nike's marketing mix plans as adopted by the company in this case study.



CASE

1

# Ethnic Consumers Consulting\*

It was a humid day in September 2010 in the historic city of Mumbai, where millions of people who barely made ends meet coexisted with a niche segment of consumers who led hedonistic lifestyles oriented towards consumption for pleasure, indulging in the best of brands from

across the globe. Nitya Guruvayurappan was busy preparing a presentation for a multinational client on her first probable assignment in her consulting work. With her basic degree in engineering, she had never thought that she would develop so much passion towards consumer behaviour. It was her aspiration to start a consulting company that exclusively dealt with consumer behaviour issues that were unique to the Indian context. With a postgraduate degree from a premier institute and a few years of work experience in the marketing field in a multinational company, she thought it was time to address her aspirations. Guruvayurappan was meeting her first prospective client, a company that



# IVEY

\* Dr. S. Ramesh Kumar, Nitya Guruvayurappan and Madhurjya Banerjee wrote this case solely to provide material for class discussion. The authors do not intend to illustrate either effective or ineffective handling of a managerial situation. The authors may have disguised certain names and other identifying information to protect confidentiality.

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manufactured hair oil and fairness cream. She remembered a research publication that she had co-authored in 2007, and she wanted to make use of the data to build a case with a practical orientation that would result in interesting insights for the client on consumer values — an area lacking study in this emerging market (see Exhibits 1 and 2). Were emerging markets significantly different from developed markets in terms of their consumer values? Could brand differentiation transcend the usual generic symbolic benefit to accommodate brand symbolism associated with the deeper levels of values? Were existing brands connecting themselves with the diverse value bands associated with Indian consumers? Could values get associated with different socio-economic classes of consumers?

## INDIAN CONTEXT — DEMOGRAPHICS, LIFESTYLE AND VALUES

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In 2010, India contained a diverse array of product categories, brands, prices, lifestyles and cultures. While marketers were upbeat concerning the consumption of categories and brands stretching from unbranded edible oil to symbolism light-emitting diode (LED) watches, there were unique challenges to marketers: these included the management of marketing mix elements, understanding the diversity of cultures, development of appropriate product lines, localizing global communication and more specifically, understanding the consumer psyche in a changing environment.

As the economy grew between the years 2000 to 2010, so had the spending power of consumers. In 2010, real average household income in India had roughly doubled over the past two decades. Consumption had increased along with rising income, especially with the emergence of India's growing middle class.<sup>1</sup> According to the official definition, urban India consisted of 5,161 towns and cities and included nearly 30 per cent of the population; rural India consisted of more than 600,000 villages and included more than 70 per cent of the population.<sup>2</sup>

Across urban and rural India, the “emerging India” households in 2010 could be classified into five groups based on annual household income. The “deprived” (earning < ₹ 90,000) consisted of 103 million households (HHs) of mostly subsistence farmers and unskilled labourers. The “aspirers” (earning ₹ 90,000 - ₹ 200,000) consisted of 91.3 million HHs and included small-scale shopkeepers, farmers — with small areas of owned land — or industrial workers; it was expected that this group would reduce from 41 per cent to around 35 per cent due to their moving into the middle class. The “seekers” (earning ₹ 200,000 - ₹ 500,000) consisting of 11 million HHs and the “strivers” (earning ₹ 500,000 - ₹ 1,000,000) consisting of 2.5 million HHs were developing into India's huge new middle class. “Seekers” included young college graduates, government employees at intermediate levels and owners of small- to medium-sized businesses. “Strivers,” the upper end of the

1. “The Bird of Gold: India's Rising Consumer Market,” Chapter 1, [www.mckinsey.com/mgi/reports/pdfs/india\\_consumer\\_market/MGI\\_india\\_consumer\\_chapter\\_1.pdf](http://www.mckinsey.com/mgi/reports/pdfs/india_consumer_market/MGI_india_consumer_chapter_1.pdf), accessed October 10, 2010.
2. “The Bird of Gold: India's Rising Consumer Market,” Chapter 2, [www.mckinsey.com/mgi/reports/pdfs/india\\_consumer\\_market/MGI\\_india\\_consumer\\_chapter\\_2.pdf](http://www.mckinsey.com/mgi/reports/pdfs/india_consumer_market/MGI_india_consumer_chapter_2.pdf), accessed October 10, 2010.

middle class, were senior government employees, owners or managers of large businesses, professionals and wealthy farmers. In 2010, the middle class numbered some 50 million individuals, but that was expected to grow 10 times and become approximately 41 per cent of the population between the years 2020 to 2025. The “global Indians” (earning > ` 1,000,000) were the other major spending force in India’s new consumer market, comprising more than one million HHs: they were senior executives in large corporations, owners of large businesses, politicians and rich farmers with large landholdings.<sup>3</sup>

### Changing Values and Lifestyles

In 2010, consumers were characterized by a rising income, aided by the increasing affordability of products. Urban consumers looked more for material success and understood the need to satisfy their desires, rather than practice restraint. They respected their traditions, but did not tie their lives to these traditions. The need for convenience and lack of time resulted in urban consumers becoming increasingly dependent on technology; therefore, technical competence was seen as a must for the urban youth. Urban consumers strove for success and were self-confident about their abilities. Preference for English education was a common factor across all urban consumers and was becoming increasingly important with semi-urban consumers.

As consumerism and media exposure increased, India also saw an evolution in its value systems and beliefs. Indian consumers traditionally saved their money. Contemporary consumers were not looking for cheap goods; rather, they were looking for value and were willing to pay extra for it. The fundamental values of conservatism and risk avoidance were gradually being replaced by an openness to experiment and to spend money on items beyond the essentials: in segments such as the “global Indian,” this even translated to conspicuous consumption. This increasing risk appetite also extended to the mindset of Indians in terms of careers and lifestyles: they were willing to try out new career paths and were not bound by the same organization for their entire career lifetimes. Rural Indians saw a lot of migration to the cities and moved beyond their conventional forms of earning livelihood.

The Indian youth was also seeking individuality as opposed to the need for affiliation and social acceptance that was characteristic of older generations. Despite there being close family relationships, families were rapidly growing nuclear and very few parts of urban India still upheld the joint family model. The influence of the West could be seen in the changing lifestyle and trends of the Indian consumer: personal grooming had increased in importance, especially with more women stepping out and making careers for themselves. The work culture had also grown significantly, with more people having jobs in multinational corporations.

### Fairness Creams Market in India – Category and Key Brands Summary

In 2010, the personal care industry — which included bath and shower products, hair care, skin care, cosmetics and fragrances — in India was around US\$4 billion.<sup>4</sup> Skin care comprised 16 per cent of this segment; the skin care segment consisted of everything from basic creams and moisturizers to specialized products such as anti-wrinkle and dark circle removing creams. The cosmetic industry was expected to grow at a compound annual growth rate (CAGR) of approximately 17 per cent by 2013, and within this industry skin care was one of the most attractive segments, with facial skin care (85 per cent of total skin care sales) outperforming the rest of the skin care segment.<sup>5</sup> Within facial care, facial moisturizers and cleansers accounted for the bulk of sales.

Traditionally, India was a country in which the population had a natural bias towards lighter skin; catering to this bias, skin care in India was flooded with facial moisturizers that either positioned themselves completely as fairness creams and skin-whitening products, or at least offered fairness as an added benefit. Tapping into this huge demand for fairness in India, facial moisturizers were the biggest contributors to skin care in India, comprising almost 50 per cent of the skin care segment.

While Indians were likely to remain partial towards lighter skin, fairness alone was not expected to be the driving force of skin care sales in the near future; rather, exfoliation, nourishment and freshness were expected to become key selling points as almost all skin care products in India already offered fairness benefits. Anti-aging products, comprising just two per cent of the skin care segment, were set to grow as well with multiple brands entering this segment while also offering the whiteness benefit. Furthermore, taking a cue from more developed countries, skin care in India was set to undergo a metamorphosis from a one-product-fits-all mentality to providing separate solutions to suit each different skin type.<sup>6</sup>

Another trend seen in this industry was the introduction of multiple brands in the men's whitening segment. Men accounted for about 25 per cent of the fairness cream

usage in the country and that figure was growing in “absolute terms.”<sup>7</sup> This trend was even seen in the comparison of the growth rates of women’s and men’s fairness creams, which were seven to eight per cent and 25 per cent, respectively.

Penetration and consumption were still challenges in this category. Fairness creams penetrated only 25 per cent of the market, with the South being the largest market (36 per cent). The North and West contributed 23 per cent each and the East contributed approximately 18 per cent.<sup>8</sup> In comparison with China<sup>9</sup>, despite India having a higher personal disposable income per household and an increasing population of women in the 25–44 age group (the key consumer segment), it spent only about one-tenth of what China spent on skin care. Pricing in the skin care market ranged from offerings as low as the ` 5 sachets of fairness creams in low income markets to ` 500–600 for the super-premium end of anti-aging creams.

The major players in the fairness cream market were Hindustan Unilever Ltd (HUL), with a market share between 50–70 per cent on its flagship brand Fair & Lovely which also enjoyed a high rural penetration, and CavinKare, which held about one-fifth of HUL’s market share with its leading brand Fairever.<sup>10</sup>

HUL’s Fair & Lovely fairness cream<sup>11</sup> had been the undisputed leader of skin care products in India for more than a quarter of a century. Fair & Lovely (F&L) was in the popular/economy tier of the market and was targeted at low and middle income Indian consumers across urban and rural India. F&L had a range of product offerings such as Multivitamin, Ayurvedic, AntiMarks and Menz Active. It was available in a range of stock-keeping units (SKUs) from nine gram sachets to 80 gram tubes. In the company’s portfolio, it was the flagship skin care brand along with Ponds, and was among their “Super Brands.” (An example of F&L’s advertising with the case authors’ description of its storyboard, as well as the case authors’ interpretation of F&L’s communication is included in Exhibit 3.)

CavinKare’s Fairever<sup>12</sup> managed to retain consumer interest and was the second-best selling brand in facial moisturizers with a 12 per cent value share backed by strong brand equity in South India and constant product innovation. Fairever was available in its base variant and a Fairever Fruit variant perched on the ‘naturals’ platform. (An example of

7. “The Regime of Fairness is Not Limited!” *oneIndia Living*, November 28, 2007, <http://living.oneindia.in/men/for-him/men-cosmetics-fairness-creams.html>, accessed October 10, 2010.

8. Sravanthi Challapalli, “All’s fair in this market,” *The Hindu Business Line*, September 5, 2002, [www.thehindubusinessline.com/catalyst/2002/09/05/stories/2002090500040300.htm](http://www.thehindubusinessline.com/catalyst/2002/09/05/stories/2002090500040300.htm), accessed October 10, 2010.

9. Pratik Kadakia, Abhishek Nigam and Ashwin Rao, “Outlook for Personal Care Industry: An Indian Perspective,” *Chemical Weekly*, [www.tsmg.com/download/article/Personal\\_Care\\_Chemicals.pdf](http://www.tsmg.com/download/article/Personal_Care_Chemicals.pdf), accessed October 10, 2010.

10. “How fair is Fair & Lovely?,” *Rediff India Abroad*, March 9, 2007, [www.rediff.com/money/2007/mar/09guest.htm](http://www.rediff.com/money/2007/mar/09guest.htm), accessed October 10, 2010.

11. “Fair & Lovely,” *Hindustan Unilever Limited*, [www.hul.co.in/brands/personalcarebrands/FairAndLovely.aspx](http://www.hul.co.in/brands/personalcarebrands/FairAndLovely.aspx), accessed October 10, 2010.

12. “Fairever,” *CavinKare*, [www.cavinkare.com/fairever.html](http://www.cavinkare.com/fairever.html), accessed October 10, 2010.

Fairever's advertising with the case authors' description of its storyboard, as well as the case authors' interpretation of Fairever's communication is included in Exhibit 4.)

## Hair Oil Market in India – Category and Key Brands Summary

Indian consumers were traditionally accustomed to using various natural forms of hair oil as a leave-on conditioning treatment. The most popular hair oil in the Indian context was coconut hair oil, which represented the bulk of sales. Although coconut oil had been the traditional hair oil variety, there were other segments in the market such as perfumed hair oils, light hair oils, cooling oils and tonics or hair gels. Even coconut hair oil was further segmented into plain coconut hair oil and added-value hair oil. In 2010, the \$1.28 billion hair oil market in India was categorized into coconut hair oil (50 per cent), *amla* (18 per cent), light (17 per cent), cooling (10 per cent) and tonics and gels (five per cent).<sup>13</sup>

The coconut oil market had been witnessing a change in usage behaviour in both urban and rural markets. The rural consumer, who traditionally purchased unbranded oil, was expected to gradually shift to branded hair oil, given the resistance to adulteration. The penetration of hair oil was high at around 87 per cent and similar across the urban and rural areas.<sup>14</sup>

The use of hair oil had become a deeply ingrained habit in the consumer psyche: it was perceived to encompass multiple benefits such as nourishment, strengthening and revitalizing the hair. Moreover, hair oils also achieved cosmetic benefits as the hair remained soft and shiny after application.

In 2010, the hair oil category in India was slowly reaching saturation as this traditional hair care product was facing tough competition in the urban markets from foreign conditioners. The presence of a huge organized sector and proliferation from the edible oil segment made the hair oils easily accessible to different segments of society, being available at different price points. The market was expected to become such that any brand of hair oil could not charge a price premium based on traditional attributes, as most of them had become hygiene factors and were offered by almost all competing brands. As a result, when newer attributes such as 'cool' oils, herbal products, anti-dandruff and non-greasi-ness agents were added to traditional coconut hair oils or *amla* hair oils, this attracted a price premium.

The SKUs in this category ranged from three millilitre (ml) sachets to 300 ml bottles, with the sachet distribution being highly penetrated in the rural markets. The biggest segment was the popular tier with brands such as Parachute and Dabur *Amla* oil; the economy tier followed with brands such as Nihar, Shanti *Amla* and other regional brands. The premium tier consisted of brands such as Dabur *Vatika* and Hair and Care.

<sup>13</sup>. "Marico to move court on coconut oil excise notice," <http://epaper.timesofindia.com/Repository/ml.asp?Ref=RVRELzIwMDkvMDcvMTQjQXIwMTgwMg==&Mode=HTML&Locale=english-skin-custom>, accessed October 10, 2010.

<sup>14</sup>. [www.equitymaster.com/research-it/sector-info/constrprds/constrprds-products.html](http://www.equitymaster.com/research-it/sector-info/constrprds/constrprds-products.html), accessed October 10, 2010.



The leading company in this category was Marico, with its flagship brand Parachute holding almost 50 per cent of the coconut oils segment, which itself was 50 per cent of the total hair oil category<sup>15</sup>. Other big players were Dabur and Bajaj, with their respective brands Dabur Amla and Bajaj Almond leading the segments of the heavy amla and light oil segments.

Parachute<sup>16</sup> was a market leader in its category and positioned on the platform of purity. It was also available in pouch packs such as Parachute Mini, a Re1 SKU, and a 20 ml Parachute sold at ₹ 5 for the rural consumer. Although historically Parachute had positioned itself on the platform of purity, the communication had evolved over time to appeal to different consumer groups. The brand name extended to a range of variants such as Advansed and Jasmine, and to adjacencies such as shampoo and hair gels. (An example of Parachute's advertising with the case authors' description of its storyboard, as well as the case authors' interpretation of Parachute's communication is included in Exhibit 5.)

Dabur Amla<sup>17</sup> was a heavy amla oil with a composition of natural amla for enriching and strengthening hair; it was available in Re1 sachets as well as bottles. It had non-sticky variants based on flower fragrances. Dabur Amla was targeted at the middle and low income markets with its economy tier pricing, while Vatika from the same company had offerings in the premium end of this segment. (An example of Dabur Amla's advertising with the case authors' description of its storyboard, as well as the case authors' interpretation of Dabur Amla's communication is included in Exhibit 6.)

## PREPARING THE PRESENTATION

Following an analysis of the relevant industries, Guruvayurappan conducted a consumer survey in order to understand the dominant cultural values among consumer groups of these categories across socio-economic classes (see Exhibit 7). Based on this data and an understanding of the communication of leading brands in these categories, Guruvayurappan seemed to have identified an area of differentiation based on cultural values and ritual experiences from which brands in an emerging market could benefit when they were pitched against one another. The challenge was to use some frameworks to understand how brands could differentiate themselves using values unique to the Indian context.

<sup>15</sup> "Marico to move court on coconut oil excise notice," <http://epaper.timesofindia.com/Repository/ml.asp?Ref=RVRELzIwMDkvMDcvMTQjQXIwMTgwMg==&Mode=HTML&Locale=english-skin-custom>, accessed October 10, 2010.

<sup>16</sup> "Parachute," *Marico*, [www.marico.com/brands\\_n\\_business/parachute/index.html](http://www.marico.com/brands_n_business/parachute/index.html), accessed October 10, 2010.

<sup>17</sup> "Dabur Amla," *Dabur*, [www.dabur.com/Products-Personal%20Care-Amla%20Hair%20Oil](http://www.dabur.com/Products-Personal%20Care-Amla%20Hair%20Oil), accessed October 10, 2010.

**Exhibit 1** Values Questionnaire

Each of the 32 values is defined by five statements which are to be rated on the five-point Likert Scale (strongly agree, agree, neutral, disagree, strongly disagree) by the side. In the final form of the questionnaire, all 160 statements will be mixed up to remove any bias. The defining value will not be shown to the respondents who were asked to mark one (1) against their level of agreement with each statement given below.

Values
<b>Power distance</b>
I often seek opinions from people before making decisions
There are many distinctions between people in my locality
I believe that some people in my locality are clearly more influential than others
I don't think equality is a practical concept
I look up to some people in society as really knowledgeable
<b>Uncertainty avoidance</b>
I don't like being uncertain about things
I search for a lot of information before I do or buy something
I don't like being in unfamiliar situations
It gives me a reassurance if other people are doing/buying the same thing as me
I generally do not experiment while buying things
<b>Forward-looking</b>
I often think about the future when I need to make a decision
I believe in saving money for a rainy day
When I earn some unexpected money, I don't generally spend it on myself
I don't expect immediate results for things I do
I engage in a lot of planning and don't believe in just living for the present
<b>Conservatism</b>
I do not like to stand out in a crowd
I am careful about the money I spend
I don't get too carried away when I am happy or successful at something
I am cautious about my dress and behaviour when I am with people
I don't think I can ever lead a flashy lifestyle

**Need for affiliation**

It is important for me that others approve of what I do

When in a group, I often behave in a manner that makes me fit in

I often pay attention to others' reactions to my behaviour

In case of uncertainty, I look at others to get cues from them

I often feel bad if my peer group doesn't praise me for something worthy I've done

**Family bonding**

I have a close relationship with my family

I feel it is very important to bond well with family

Family is the only long-lasting association that people have in life

I could leave an important career if it gave me no time with my family

I feel close to members of family even if there are physical distances

**Utilitarianism**

I generally buy products only if they are useful

I am not impressed by free offers unless I definitely need the product

I never buy items just because I liked its advertisement

I don't simply follow my heart while selecting products

I make most purchases with a lot of thought

**Fatalism**

I generally accept things that happen as fate

I don't think we have control over our destiny

If bad things are to happen, they will happen

I feel helpless in losing situations

I can achieve only what is in store for me

**Nominalism**

I am not sure what many rituals of my religion actually stand for

I sometimes follow practices without thinking much

I don't think I have tried to seek explanations of things that my parents tell me to follow

I am indifferent to most of the cultural practices I indulge in

(Continued)

With more time, I would try to learn about cultural aspects like weddings, etc.

### **Achievement seeking**

I am highly ambitious in my career

Being successful is the most important thing to me

I like finding solutions to challenging problems

I need to be acknowledged for my abilities by people around me

I keep seeking milestones even when I have conquered one

### **Respect for age**

I believe my parents know better than me

I always get up from my seat if I see an elderly person standing

It is very annoying to see old people being spoken to rudely

I believe that one can only get better with age as one gains experience

I feel comforted when there is someone older to take care of certain situations

### **Co-operation**

I believe better work can be done by co-operating with peers

I sometimes feel that competing in things may lead to less work getting done

When there is a task to be done, I try to think of how well we can get together and do it

I enjoy donating things to charity

I like taking part in community service at work or in the neighbourhood

### **Nuclear family**

I think small family is a happy family

It's important for both parents to earn money as living costs rise up

I think both parents should share the work in the house

I do not think we have enough space to have both my parents and my children in the house

I have never lived in a joint family.

### **Group emphasis**

I love to hang out with my friends

I'd rather go out for dinner with friends after work than go home alone

I do not like to go alone to have lunch in the office/college canteen

I am not dependent on one or two persons to make my weekend plans
I am in touch with my college/school group through regular meetings
<b>Respect for work</b>
I think success comes through hard work alone
I believe that every field of work is equally appreciable
I always try to give 100 per cent to the task at hand
If my subordinates work hard, I never fail to compliment/reward them
I respect everyone who does his/her work well, even though their social status may not be the same
<b>Seeking prosperity</b>
I want to have all the latest durables in my house
I want my children to have the best education
I think prosperity is related to social status
I would not mind swapping a job just for the salary hike
I want to earn enough for fulfilling all my adulthood desires
<b>Hospitality</b>
I always invite friends and relatives over for dinner
I love to have my relatives from other cities visiting me
It's great to have your colleagues come over for a chat
I am never put off by someone coming over without informing me
I love to have my children's friends dropping by even when my kids are not at home
<b>Social orientation</b>
I am very particular about what I wear and whether it matches my personality
I like to think that what I own is unique to me in some ways
I try to develop an image based on the things I own
I think my lifestyle is an actual reflection of my personality
My friend circle and I have similar views towards life
<b>Self esteem</b>
I seem to have a great deal of self respect

(Continued )

In almost every aspect, I am glad to be the person I am
I feel I have a number of good qualities
I take a positive attitude towards myself
I feel I am a person of worth, at least on an equal plane with others
<b>Honour</b>
I believe that the family name should be upheld
I believe in spending lavishly in accordance with my status in family functions
I would be exceedingly averse to borrowing money from people
My family prestige is of utmost importance to me
I'd rather give up durables than part with a family heirloom
<b>Innovativeness</b>
I like to experiment with my ideas
I would like a job that requires frequent changes from one kind of task to another
I like to try new and different things
I often try new brands before my friends and neighbours do
I am not afraid of failing with my creativity
<b>Conspicuous westernized symbols</b>
I like to party regularly
I think social drinking is acceptable and at times necessary
I own several designer clothing items and accessories
I lead a hectic life where take-away food is a significant part of my routine
I feel it is a good thing to inculcate some western practices
<b>Gifting trends</b>
Whenever I go to visit a friend or a relative, I carry a gift along
It's not the cost of the gift that matters to me, it's the thought
The more expensive the gifts are, the better people would think of my social standing
I take a lot of pains to choose the right thing for the right occasion
I feel honoured when people put an effort to buy gifts for me



<b>Personal grooming</b>
I pay a lot of attention to how I look when I go out
I am conscious of my looks even when I am not going out for an occasion
I think first impression is very important and I need to appear well-groomed when meeting someone new
I occasionally indulge in a beauty salon or similar place to shape up my looks
I tend to make opinions about people who are shabbily attired or too casual in appearance
<b>Family hierarchy orientation</b>
It is the men in the family who purchase goods in my household
The main earner has an important say in selecting brands
The women of the house offer suggestions but the men make the decision
Even for toothpastes, soaps, hair oil, creams, etc., one person picks up brands for everyone
The youngsters in my house have become more independent in buying after they started earning
<b>Ethnocentrism</b>
I generally search for brands with Indian names or symbols
I don't think a foreign brand is necessarily better than an Indian brand
I feel an Indian brand is more suited to my needs
I buy regional or national brands due to a strong sense of loyalty
I feel we must buy more local products for helping Indian brands go global
<b>Individualism</b>
I prefer making most of my decisions myself
I generally buy or consume things which reflect my uniqueness
I like to be different from the crowd at times
I am not affected much by what other people do
It is important to me that people respect my individuality
<b>Thriftiness</b>
I am careful about the way I plan my finances
Price promotions in shops often attract me

(Continued )

I generally think low-priced goods can serve my needs well

I don't invest or spend money in ventures that I am uncertain about

I would like to save money for a rainy day

**Celebrity orientation**

I would buy a product that is endorsed by a celebrity I like

I am attracted to advertisements that use celebrities

If a celebrity is endorsing a product, he or she must have tested the qualities

By using the brand of my favourite hero, I feel I am being like him

I change my brands based on my favourite sportsperson/film star's preference

**Time orientation (living in the past/present)**

I often think about the good old days

I do not believe exciting days are coming ahead in my life

Life was much simpler and carefree during my parents' time

I wish I could have my old favourite brands back — they denoted quality

You cannot be sure about product quality any more these days

**Emotional decision making**

I often make my decisions from my heart

I feel it is healthy to express emotions

I don't like to always be rational

My opinions about people can be quite subjective

I am open about my feelings with my peers

**Neo-mindset orientation**

I change habits and behaviour with time

I am often influenced by some of the new happenings around me

I cannot stick to the same old practices all my life

I don't mind breaking off from conventions

I could call myself rebellious to a certain extent

Source: S. Ramesh Kumar, Nitya Guruvayurappan and Madhurjya Banerjee, "Cultural Values and Branding in an Emerging Market—The Indian Context," *The Marketing Review*, 7 (2007), pp. 247–272, reproduced with the permission of the journal's editor.

**Exhibit 2** Dominant Values Identification**Category:** Fairness Creams**Consumer Class:** Middle

VALUES	$\mu/\sigma^*$
Power distance	7.199
Uncertainty avoidance	5.901
Forward-looking	6.734
Conservatism	6.240
Need for affiliation	5.673
Family bonding	6.860
Utilitarianism	7.423
Fatalism	4.397
Nominalism	6.360
Achievement seeking	7.092
Respect for age	7.111
<b>Co-operation</b>	9.186
Nuclear family	7.039
Group emphasis	6.662
Respect for work	8.250
Seeking prosperity	6.073
Hospitality	5.837
Social orientation	5.516
<b>Self esteem</b>	8.288
Honour	4.359
Innovativeness	7.020
Conspicuous westernized symbols	4.236
Gifting trends	7.645
Personal grooming	3.371
Family hierarchy orientation	3.873
Ethnocentrism	5.528

**Consumer Class:** Upper

VALUES	$\mu/\sigma^*$
Power distance	6.061
Uncertainty avoidance	6.828
Forward-looking	7.017
Conservatism	5.132
Need for affiliation	6.024
Family bonding	6.203
Utilitarianism	6.274
Fatalism	3.410
Nominalism	4.815
Achievement seeking	5.962
Respect for age	5.679
Co-operation	7.217
Nuclear family	6.952
Group emphasis	6.623
<b>Respect for work</b>	8.574
Seeking prosperity	6.638
Hospitality	6.676
Social orientation	6.821
Self esteem	6.776
Honour	6.615
<b>Innovativeness</b>	7.241
Conspicuous westernized symbols	4.774
<b>Gifting trends</b>	7.479
Personal grooming	4.640
Family hierarchy orientation	4.851
Ethnocentrism	5.962

(Continued)

<b>Individualism</b>	8.700
Thriftiness	5.569
Celebrity orientation	3.243
Time orientation (living in the past/present)	5.012
Emotional decision making	6.181
Neo-mindset orientation	6.868

Individualism	6.010
Thriftiness	6.676
Celebrity orientation	2.391
Time orientation (living in the past/present)	4.573
Emotional decision making	4.165
Neo-mindset orientation	7.201

### Category: Hair Oil

#### Consumer Class: Middle

VALUES	$\mu/\sigma^*$
<b>Power distance</b>	7.331
Uncertainty avoidance	5.886
Forward-looking	5.568
<b>Conservatism</b>	7.301
Need for affiliation	5.323
Family bonding	6.840
<b>Utilitarianism</b>	8.029
Fatalism	3.692
Nominalism	5.320
Achievement seeking	6.632
Respect for age	5.994
Co-operation	6.384
Nuclear family	5.976
Group emphasis	4.645
Respect for work	6.417
Seeking prosperity	5.675
Hospitality	4.869
Social orientation	4.847
Self esteem	6.608
Honour	5.839

#### Consumer Class: Upper

VALUES	$\mu/\sigma^*$
Power distance	7.181
Uncertainty avoidance	6.916
Forward-looking	6.930
Conservatism	4.907
Need for affiliation	5.606
Family bonding	7.620
Utilitarianism	6.971
Fatalism	3.755
Nominalism	4.683
Achievement seeking	7.093
Respect for age	6.905
Co-operation	7.968
Nuclear family	6.458
Group emphasis	7.525
<b>Respect for work</b>	9.359
Seeking prosperity	5.982
Hospitality	6.170
Social orientation	6.101
<b>Self esteem</b>	9.148
Honour	4.667

Innovativeness	6.380
Conspicuous westernized symbols	4.088
Gifting trends	6.525
Personal grooming	4.847
Family hierarchy orientation	3.599
Ethnocentrism	4.930
Individualism	6.900
Thriftiness	6.173
Celebrity orientation	2.997
Time orientation (living in the past/present)	5.189
Emotional decision making	6.784
Neo-mindset orientation	6.355

Innovativeness	7.463
Conspicuous westernized symbols	4.371
Gifting trends	7.524
Personal grooming	4.287
Family hierarchy orientation	4.045
Ethnocentrism	4.662
<b>Individualism</b>	8.376
Thriftiness	5.581
Celebrity orientation	3.218
Time orientation (living in the past/present)	5.016
Emotional decision making	5.923
Neo-mindset orientation	6.403

\*  $\mu/\sigma$  is the inverse of coefficient of variation where  $\mu$  stands for the mean of the individual ratings and  $\sigma$  is the standard deviation.

Note: The data can be interpreted as the values with the highest  $\mu/\sigma$  are the most dominant in terms of having the highest mean while accounting for standard deviation as they are most clustered around the *mean for the individual consumer responses. Higher score reflects higher intensity of the respective factor.*

Source: S. Ramesh Kumar, Nitya Guruvayurappan and Madhurjya Banerjee, “Cultural Values and Branding in an Emerging Market—The Indian Context,” *The Marketing Review*, 7 (2007), pp. 247-272, reproduced with the permission of the journal’s editor. The authors thank Dr. Ann Foy, editor, *Marketing Review* for permitting the use of this data in the case study.

### Exhibit 3 Communication of Fair & Lovely Brand

#### *Fair & Lovely Sample Storyboard and Ad Interpretation*

##### **Storyboard 1**

The ad starts in a household with an elderly couple where the husband asks for some more milk in his tea and the wife says there is not enough milk since it is just his pension that runs the household for three people. The husband comments that it would have been good to have a son, which his daughter overhears when walking in. She gets upset on hearing this and decides to do something to prove she can be as good as a son. She finds an advertisement in the newspaper for an airhostess job but is uncertain if she can get it owing to her dark skin. A Fair & Lovely ad plays on the TV and she realizes how it would help her achieve her dream. She walks into the interview confidently and does very well and gets the job. She shares her achievement by taking her parents out to eat, and they are proud of her success.

##### **Storyboard 2:**

The ad shows snippets from a young girl's life where on every occasion she is seen acting as a commentator to a cricket game — sometimes to a game in her locality, sometimes to a match on TV — with a make-believe microphone in her hand. One day a friend of hers takes the microphone from her and gives her a tube of F&L instead. Consequently, the girl applies and is hired to perform commentary in a live cricket match, along with a famous Indian cricket commentator. Her co-commentator is awed by her presence and confidence and she is surrounded by a barrage of fans seeking her autograph after the game.

##### **Authors' Interpretation:**

F&L has used the running theme of how fairness leads to self-confidence and success in most of their ads. It builds on the Indian mentality (typical to lower and middle classes) that fair skin gets you noticed and hence helps you go a long way in life. The central character is shown as a young woman in her twenties who is ambitious but does not pursue her dreams because she is kept back by her self-consciousness about her looks. She aspires to be in areas that are either dominated by men or which require her to be attractive and confident with a remarkable personality. Sometimes she also bears the brunt of criticism or humiliation from those around her — either family members or people in society who attach a lot of importance to appearance. As a consequence, it impacts her self-esteem and she is motivated into changing her life and proving a point to those people. She is introduced to F&L by a friend or relative or from some other source of information and her life changes — she achieves her dream and is treated with respect and awe by the very same people who earlier would have ignored her. The inferred benefit here is





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the confidence to achieve your dreams, because looking good leads to feeling good. F&L uses an approach of creating discomfort and negative emotion in order to magnify the victory and positive emotions as an outcome of using the product even more.

*Source:* Advertisement reproduced with the permission of Mohit Sud, Brand Manager – Skin Care, Hindustan Unliver Limited, India. The authors analyzed the advertisement for the brand based on their perception of the advertisements as consumers associated with the Indian con-text.

*Storyboard 1:* [www.youtube.com/watch?v=2a1iXt1yPsk](http://www.youtube.com/watch?v=2a1iXt1yPsk), accessed October 10, 2010.

*Storyboard 2:* [www.youtube.com/watch?v=zRt8E8sfiSw](http://www.youtube.com/watch?v=zRt8E8sfiSw), accessed October 10, 2010.

#### Exhibit 4 Communication of Fairever brand

##### *Fairever Sample Storyboard and Ad Interpretation*

###### **Storyboard 1**

The ad shows a group of school girls on a bus going through a village. When the bus halts for a while, one of the girls sees a woman in labour riding on a bullock cart. She runs to help and offer her some water, and asks the man with her why they cannot take her to the nearest hospital soon. The man remarks that the nearest hospital is very far since they do not have one in the village. The girl goes back and sees a bookmark of Fairever packaging which says ‘You can change your future.’ She decides to study to become a doctor, despite facing opposition from her family who are unable to understand why she is wasting an expensive degree in the U.S. on a small village where she might not even make money; however, she is determined to do what she feels is right and goes to serve the village which was lacking in medical facilities, making her family proud and making herself loved by the villagers. The ad places emphasis on Fairever giving her the confidence to write her own destiny.

###### **Storyboard 2**

The ad shows a little girl exclaiming, “They’ve come,” and shows that it is a house with festoons and decorations. A family comes with a beautiful girl (celebrity) and are invited in. It becomes evident that this is a ceremony where the girl meets a boy in an arranged marriage scenario, but the roles are reversed. Not only does the girl come to see the boy, but also the boy serves the families with tea and snacks, and performs music and dance in front of them. The voiceover (VO) says that when Fairever is making women so beautiful, shouldn’t it be the men who have to do all this to win their heart. It ends with the girl saying that she likes the boy and the VO says “changing the colors of life.”

###### **Authors’ Interpretation**

Fairever’s key benefit was to encourage young women with the thought that they can write their future. It suggested that Fairever gave women the confidence to write their destinies and become successful. In the above ad, Fairever touches on women’s confidence and determination to do things without dwelling on the negative elements and stigma associated with being dark complexioned, unlike its competitor. The ad works on an overall positive approach like the first storyboard rather than showing a negative emotion and then overcoming the same. It also uses creative situations to indicate how powerful beauty and confidence can make a woman, as in the second storyboard. Certain campaign ads also took a dig at competition by declaring that the woman was equally powerful and supported the family, and one did not have to be a son to be the breadwinner. This was explicitly targeted at a competitor’s campaigns to make women look empowered after they are shown as the weaker sex initially. Gradually, Fairever is using more celebrities and is also placing emphasis on product claims like “four tones lighter in four weeks” and “three times more protection from the sun.” It also talks about product features like milk proteins and saffron white essences in the communication to enhance credibility of the claim. Fairever also uses the whiteness meter in its communication in order to establish that it is an equally effective product, given that it competes with a goliath market leader and hence first needs to establish that the functional benefit that leads up to the emotional benefits is actually strong in its product offering.

*Source:* The authors analyzed the advertisements for the brand based on their perception of the advertisements as consumers associated with the Indian context.

*Storyboard 1:* [www.youtube.com/watch?v=\\_KljS8\\_6ofI](http://www.youtube.com/watch?v=_KljS8_6ofI), accessed October 10, 2010.

*Storyboard 2:* [www.youtube.com/watch?v=vhp3KSOrY5c](http://www.youtube.com/watch?v=vhp3KSOrY5c), accessed October 10, 2010.

## **Exhibit 5** Communication of Parachute Brand

### ***Parachute Sample Storyboard and Ad Interpretation***

#### **Storyboard 1**

Three young women are out on a picnic and see a waterfall at a distance; one of the women says she is looking forward to taking a shower and shampooing her hair. One of the friends (a popular celebrity) says that first they need to oil their hair and leave it on for an hour, and takes out a Parachute bottle. On being asked why, she explains that hair tends to become dry and rough on shampoo alone and hence it is necessary to moisturize and nourish hair with oil prior to that. The ad closes with the “gorgeous hamesha” tagline and theme music, which is part of the campaign that Parachute women are always gorgeous and do not need to be made up in order to look beautiful.

#### **Storyboard 2**

The ad shows a celebrity experimenting with her hairstyle on different occasions. In the first, she has wavy hair, in the second situation it is her birthday and she has straight hair. On the third occasion, she colors her hair in streaks. She visits the hairstylist again and sits in the chair saying, “What shall we try new today?” To this, the hairstylist replies that the first thing they ought to do is an hour’s soaking and massage of hot Parachute coconut oil. She explains that when you experiment with your hair and try new things, it tends to lack the nurture and care and becomes dry and lifeless. In order to rejuvenate her hair, she needs the good old coconut oil treatment. The celebrity gets the same done and is ready to try a new hairstyle all over again.

#### **Authors’ Interpretation**

Parachute has moved out of the many years of mother-daughter related advertising to now appeal more to the youth, especially given that there are so many category substitutes like leave-on conditioners penetrating the youth market. The Parachute campaign is targeted at young women and seeks to assure them that real beauty does not have to dress up and the Parachute women are “gorgeous hamesha” (always gorgeous). The campaign has both functional and emotional elements, with the emotional campaign being the one in which it has captured beautiful women in different moods and settings and generated awareness for this campaign and tagline. It has subsequently leveraged this in its functional ads like the storyboard mentioned above to drive the benefit of nourishment and

keeping hair from going dry. For this, it has built on the accepted consumer belief that a lot of its target audience practices the usage experience of a massage and one-hour leave-on of oil prior to shampoo. Parachute has used celebrities in their campaigns to depict the beauty concept while driving the functional need of oiling as their hair is often subjected to a lot of rough handling in their profession. The second ad is an example of the same. It also captures how Parachute as a brand sits on the border of innovation and tradition, as is true of the women it targets: although they want to try out new things and

experiment with their hair and styles, coconut oil will still remain a part of their hair care and hence they are driving the concept of a hot oil massage before a shampoo.

*Source:* Advertisement reproduced with the permission of Sonal Krishen, HR Manager, Marico India. The authors analyzed the advertisements for the brand based on their perception of the advertisements as consumers associated with the Indian context.

*Storyboard 1:* [www.youtube.com/watch?v=qGPLSvS23KI&feature=related](http://www.youtube.com/watch?v=qGPLSvS23KI&feature=related), accessed October 10, 2010.

*Storyboard 2:* [www.youtube.com/watch?v=w7I2cgOWmDs](http://www.youtube.com/watch?v=w7I2cgOWmDs), accessed October 10, 2010.

## Exhibit 6 Communication of Dabur Amla Brand

### *Dabur Amla Sample Storyboard and Ad Interpretation*

#### **Storyboard 1**

The ad starts with the central character (a celebrity) walking past, waving her silky hair and the VO says “hair is meant to be shown off.” The central character is then shown at a celebration where she urges her friend to come and join her on the dance floor. The friend refuses, due to awkwardness about her oily hair. The VO then says “hair is not meant to be hidden.” The ad then goes on to say how other oils make hair sticky while Dabur Amla nourishes and makes hair stronger and shinier. The VO concludes with saying that “hair is meant to win hearts.”

#### **Storyboard 2**

The celebrity (central character) sees a young girl trying to collect money for a charitable cause but no one on the streets seems to be paying her any attention. The celebrity immediately collects a group of young women and they put on a street dance to attract the crowd. They look attractive and happy as they dance uninhibited and letting their hair loose. The VO says that Dabur Amla adds zest to hair and hence fun to your life.

#### **Authors' Interpretation**

Dabur Amla has been using celebrities in their campaigns for both hair oil and shampoo. The central character, usually the celebrity, is shown as attractive, confident, willing to take on challenges and comfortable in her personality. The setting is usually one in which a situation requires two women, the protagonist and another character, to let their hair loose and enjoy, wherein the non-user is reluctant because her hair isn't attractive enough. The benefit communication explains the merits of amla in the hair oil and how it nourishes and strengthens hair, leaving it shiny and soft. It focuses on how women's crowning glory is their hair and hence insists that they shouldn't settle for anything less when it comes to taking care of their hair. Dabur has taken on competition explicitly with their other line extensions like Vatika, wherein they do comparative advertising in which they show packaging that looks identical to the immediate competition without naming them explicitly — like Parachute or Bajaj (almond category) — and compare superiority of their own brand versus those competitors. Amla on the other hand finds them as the market leaders by a significant margin and hence their communication is limited and targeted mainly at the middle-tier market.

*Source:* The authors analyzed the advertisements for the brand based on their perception of the advertisements as consumers associated with the Indian context.

*Storyboard 1:* [www.youtube.com/watch?v=qyO6A4weVTk&feature=related](http://www.youtube.com/watch?v=qyO6A4weVTk&feature=related), accessed on October 10, 2010.

*Storyboard 2:* [www.youtube.com/watch?v=9apExNucf2M&feature=related](http://www.youtube.com/watch?v=9apExNucf2M&feature=related), accessed on October 10,

### Exhibit 7 Methodology Used for Data Collection

1. Two categories close to the Indian consumer and the prevalent cultural context — hair oil and facial creams — were selected in order to understand the effects/implications of cultural values on branding.
2. An industry analysis was performed and a perceptual map of available brands was developed in order to understand the parameters for brand differences and subsequent classification of those for the categories identified. This helped in understanding how different social class segments perceive the various brands and hence which are more likely to be consumed in specific segments.
3. A list of 32 core Indian values were generated based on literature, consumer reports and the authors' subjective judgment based on their experience in the Indian context as consumers. A measurement scale was composed for each of these values such that each value has five points of measurement in its scale and five levels from "strongly agree" to "strongly disagree." Respondents were expected to express their agreement or disagreement with the items in the scale for each value. Stratified sampling of the target population was performed — with appropriate representation obtained from each social class — and the above questionnaire (after randomization of the statements) was sent to them. Upper and middle socio-economic classes were covered for the categories chosen. Sixty-four respondents from each of the strata were selected for each of the categories. This would equal a total of 384 respondents (in two strata for each of three categories).
4. Coefficient of variation was used as the metric for dominant value identification to minimize variation and find the values in which the ratings congregate closer to the mean value.
5. Analysis of advertisements and communication of prominent brands in each category and for each social class was performed. Gaps in the values between those dominant in Step 4 and the ones reflected in the perception of advertisements (as perceived by the authors of this case) for each social class and the respective category were identified. The final recommendation was based on bridging this gap with the dominant cultural value in each class.

## CASE 2

# HDFC Life Insurance: Building a Service Brand\*

Akshat Kumar, senior manager of digital marketing at HDFC Life, had a complex problem to solve. He had started off as a software engineer in a world class firm and after his management program, had decided to let his passion for consumer behaviour dictate his carrier track. Kumar's



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new assignment demanded all his knowledge and experience to crack the complexities of branding within the insurance market in India. HDFC Life had come out with several advertising campaigns to differentiate HDFC Life from other competitive brands. There was huge potential for an insurance brand if it was positioned well in the minds of consumers. A survey, commissioned with conceptual inputs, created further complexity in terms of consumer response. Were consumers in the industry immune to positioning

\* S. Ramesh Kumar and Akshat Kumar wrote this case solely to provide material for class discussion. The authors do not intend to illustrate either effective or ineffective handling of a managerial situation. The authors may have disguised certain names and other identifying information to protect confidentiality.

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strategies? Did they see value in several brands? Were concepts of brand equity valid in such services? How could the survey's insights be used to develop a positioning for the brand HDFC Life?

## INTRODUCTION

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Changing lifestyles and higher literacy among consumers along with the entry of several well-known banks into the field of insurance had increased the awareness of insurance brands among consumers over the last decade. According to the Confederation of Indian Industry, the value of the Indian insurance industry was INR41 billion.<sup>1</sup> Up to 2012, only about 1/5 of India's population was covered under various life insurance products. The penetration of health insurance products was even lower. There was a larger market for insurance products in India in 2012 than ever before. Given this fact, a lot of international players had also entered the Indian market in joint-ventures with Indian companies.

Innovative products, aggressive marketing and multiple distribution channels enabled insurance companies to sell their various products. Where people traditionally bought insurance to pay for expenses such as education and retirement, increased aspirations led them to buy policies to pay for houses and wedding ceremonies.

One of the biggest trends in the Indian insurance industry was the emergence of online products known as online term plans. With more than 120 million Indian people on the internet, the product had shown tremendous growth. Since the average transaction price for such a product was low (one could purchase life insurance coverage of US\$200,000 for as low as US\$ 110 per annum as a premium<sup>2</sup>), more people were purchasing this insurance off the internet without the help of either an insurance agent or traditional banks to guide them.

## HDFC LIFE

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HDFC Life, one of India's leading private life insurance companies, offered a range of individual and group insurance solutions. It was a joint venture between HDFC, India's leading housing finance institution, and Standard Life plc, the leading provider of financial services in the United Kingdom.

HDFC Life had multiple products online. As of 2012 ten products were available online. Since the products could be bought online, there was a significant focus by the brand on the digital medium used to reach out to consumers.

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1. <http://business.mapsofindia.com/insurance/>, accessed October 3, 2012. As of Oct 3, 2012 US\$1 was approximately equal to INR52.

2. Conversations with employees in the insurance industry.

Since insurance products are more or less the same, differentiation could only be created through imagery and service. Most of the insurance brands were creating brand associations through positioning strategies.



## Marketing Campaigns of HDFC Life

### 1. Rajasthan Royals IPL 2012, Sar Utha Ke Jiyo<sup>3</sup>

Indian Premier League (IPL) is a popular cricket tournament sponsored by film and business celebrities. Among the many teams that participate in this cricket tournament are the Rajasthan Royals. The campaign highlighted the characteristics of self-belief, pride and confidence associated with the players of and how they had achieved success despite the odds they had faced in their lives.

Through this campaign, the brand showcased the significance of brand value. When a team gets onto the field, full of zeal to perform their best, it doesn't really matter what the result is in the end; the point is to play the game for pride and self-respect.

### 2. Neighbour, Click2Protect, Sar Utha Ke Jiyo<sup>4</sup>

The campaign suggested that term insurance is very important to secure one's family adequately, and sought to make consumers feel concerned about the well being of their family.

### 3. Rajasthan Royals IPL 2011, Sar Utha Ke Jiyo<sup>5</sup>

### 4. Parents' Teachers Meeting, Child Plan, Sar Utha Ke Jiyo<sup>6</sup>

The campaign was intended to make parents aware of financial planning for their children due to the competitive realities in today's world.

### 5. Rakhi, HDFC Life Re-branding, Sar Utha Ke Jiyo<sup>7</sup>

In this campaign, a brother gives a blank cheque to his sister, and tells her that she can fill it out once he gets a job. The gift is given in on a festive occasion that celebrates the bond between a brother and a sister. The campaign was meant to suggest that youth should buy insurance and become financially independent early on in their careers.

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3. [www.afaqs.com/advertising/creative\\_showcase/index.html?id=34763&media=TV&type=Indian](http://www.afaqs.com/advertising/creative_showcase/index.html?id=34763&media=TV&type=Indian), accessed April 8, 2012.

4. [www.afaqs.com/advertising/creative\\_showcase/index.html?id=32918&media=TV&type=Indian](http://www.afaqs.com/advertising/creative_showcase/index.html?id=32918&media=TV&type=Indian), accessed April 8, 2012.

5. [www.afaqs.com/advertising/creative\\_showcase/index.html?id=27812&media=TV&type=Indian](http://www.afaqs.com/advertising/creative_showcase/index.html?id=27812&media=TV&type=Indian), accessed April 8, 2012.

6. [www.afaqs.com/advertising/creative\\_showcase/index.html?id=26785&media=TV&type=Indian](http://www.afaqs.com/advertising/creative_showcase/index.html?id=26785&media=TV&type=Indian), accessed April 8, 2012.

7. [www.afaqs.com/advertising/creative\\_showcase/index.html?id=25219&media=TV&type=Indian](http://www.afaqs.com/advertising/creative_showcase/index.html?id=25219&media=TV&type=Indian), accessed April 8, 2012.

## Customer Segmentation

Most of the HDFC Life products were available online, so geography was not a limitation. The primary audience was males looking life insurance coverage to provide for their families in case of their demise. The target segment included executives and businessmen.

HDFC Life communication focused on needs relevant to different life cycles. The five different life cycle stages emphasized were:

- Unmarried.
- Just married.
- Purchasing a home.
- Children and education.
- Support for old parents.

The typical consumer was a 25 to 40 years old, male professional with disposable income who lived in a large city with a population of between 2 and 7 million people. He wanted to make a variety of future short-term and long-term investments like buying a car or house, while saving for a marriage and providing for his parents. These consumers primarily purchased insurance for tax savings.

The ads were addressed to informed urban consumers who wanted to take charge of their family and protect them with insurance. The target segment had access to the internet and was comfortable doing ecommerce transactions on the internet.

For lifestyle habits of customers, see Exhibit 1.

## ICICI PRUDENTIAL LIFE

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ICICI Prudential Life was a life insurance company that had launched a low-cost online term plan in the Indian market and within a year of launch, it became one of the top-selling online life plans in the country.

With the successful acceptance of its existing online products and the in-depth customer insight it had gathered, ICICI Prudential Life had helped the company improve its online product offerings and create a new online term plan with better features and more benefits. The online application process on ICICI Prudential Life's website made it an easy and hassle-free experience for customers. Innovative products, aggressive marketing and the online channel had enabled ICICI Prudential Life to sell their various products easily.

The brand had leveraged its celebrity association with Amitabh Bachchan (a film celebrity in India) who was shown in marketing materials using a tablet and asking consumers to visit the website and complete the entire process of buying insurance in less than 10 minutes.

## Marketing Campaigns OF ICICI Prudential

### 1. Security Check, iCare<sup>8</sup>

Through this campaign, the brand highlighted the ease of buying insurance online — quick and easy. With tablets and smartphones, the insurance policy could be bought anywhere.

### 2. Train, Jeene Ka License<sup>9</sup>

Through this marketing message, the brand attempted to illustrate the need for insurance before taking risks, even if this risk was just starting a new business.

### 3. Future Calculator, Jeetey Raho<sup>10</sup>

Through this campaign, the brand tried to provide the means to consumers to measure their future needs against some financial planning which they could achieve through insurance.

**4. Smart Kid Child Plan, Suraksha Zindagi Ke Har Kadam Par<sup>11</sup>**

The brand used the importance of saving for children's education to create awareness of its offerings associated with children.

**5. Retirement – World's Best Job, Jeetey Raho<sup>12</sup>**

Through this campaign the idea was to relate to the younger working man, who could then wisely save for his future. The brand had to make retirement aspirational for the hesitant Indian consumer.

## **SBI LIFE**

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Formed in 2001, SBI life Insurance was a joint venture between SBI — India's largest bank — and BNP Paribas Assurance — France's banking and financial services provider. SBI Life extensively leveraged on the network of its branches to sell its insurance products. Customers were perhaps attracted to the association of SBI with the insurance brand. SBI Life had yet to launch specific online insurance products.

### **Marketing Campaigns of SBI Life**

**1. Scooter, Zindagi Hai Jine Ke Liye<sup>13</sup>**

Through this campaign, the brand SBI Life meets wealth creation needs one gets all the time in the world to relish the small joys of life. The idea was also to bring out the trust factor associated with SBI, the larger umbrella brand, in a subtle manner.

**2. Celebrate Life, Zindagi Hai Jine Ke Liye<sup>14</sup>**

The idea behind this campaign was to get young people to think about old age and how to secure their retirement. The brand highlighted the serious importance of thinking about one's old age while celebrating and enjoying youth.

**3. Heera, Celebrate Life<sup>15</sup>**

The campaign message to the consumers was to start investing early to avoid problems later in life. This message was coupled with the emotion of love. The underlying thought for the campaign became: "Never let money get in the way of expressing your love."

## **HDFC LIFE - DIGITAL MARKETING INITIATIVES**

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The idea behind digital marketing was to increase the distribution mix through the website and establish an online channel to generate business. The marketing objective was to strengthen HDFC Life brand's equity through increased visibility of online products on the website.

HDFC Life was interested in exploring the brand perception associated with itself and its competitors. It desired an exploratory study that would provide reveal the brand perception of insurance buyers of insurance. HDFC Life was also interested in the perceptions of prospective online insurance buyers.

### **Methodology**

With the initiatives taken by HDFC Life, the brand wanted to delve into the brand perceptions of buyers of HDFC Life and its competitors, namely ICICI Prudential Life and SBI Life Insurance.

The company believed the perceptions of prospective online insurance buyers should be analyzed to provide a comparison between several aspects associated with the three brands. This study was an exploratory one and the company was interested in commissioning more studies based on its outcome.

A research agency based in Bangalore was engaged in May 2012 for the data collection. The survey was conducted with more than 120 respondents in the cities of Mumbai, Bangalore and New Delhi.


Exhibit 2 is an advertisement for HDFC Life. Exhibit 3 provides information on the responses of consumers who had bought the HDFC Life brand of insurance. Exhibit 4 provides the responses of prospective buyers of the insurance policy through the online channel. Strangely, responses from the buyers of SBI Life and ICICI Prudential insurance policies on all the factors covered in Exhibit 3 were very similar in nature.

Kumar had to decide on the future course of action for HDFC Life's brand, taking into consideration the results of the consumer survey that did not seem to get him anywhere.

**Exhibit 1** Lifestyle Habits of the Buyers of HDFC Life Insurance

S. No.	Lifestyle Habit
1.	The consumer cares for his family
2.	The consumer is concerned about long term security of his family
3.	The consumer wants to be financially independent
4.	The consumer is aware of his financial needs
5.	The consumer invests money either during festivals or at the end of the financial year on insurance
6.	The consumer likes to consult people before a purchase making decision
7.	The consumer likes to research to find out the best available investment options
8.	The consumer searches on the internet to read review about various insurance products
9.	The consumer is deeply concerned about the investment if it concerns his children
10.	The consumer who makes the purchase decision is concerned about health issues and likes to protect himself by buying insurance
11.	The consumer spends time reading newspapers, watching TV or browsing internet to help him make decision and evaluate options
12.	The consumer is always looking for help to resolve investment issues
13.	The consumer wants to be associated with brands that service him well.
14.	The consumer is looking for financial options which are not too complex and can be purchased easily
15.	The consumer's financial demands are triggered by personal life cycles like new job, birth of a new baby

Source: Field survey commissioned by the authors. The survey was commissioned by Research Services Bureau, Bangalore, May 2012, Mumbai, Bangalore and New Delhi, India.




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• Bhubaneswar - 0674-6611-500 • Mumbai - 022-4145-8703 • New Delhi - 011-3982-9605 • Chandigarh - 0172-6613-678 • Pune - 020-6608-1717

Pension Plans include HDFC Pension Super (Form No. P 501-60, URN: 101L047V01) & HDFC Personal Pension Plan (Form No. SN 07, URN: 101N008V01). Unit Linked Plans are different from traditional plans and are subject to different risk factors. Investment risk in investment portfolio is borne by the policyholder. For more details on the product features, risk factors, terms and conditions please read sales brochure or consult Financial Consultant before taking a decision. Tax figures mentioned (calculated on the highest tax bracket) are indicative and subject to change. HDFC Standard Life Insurance Company Limited. Insurance is the subject matter of the solicitation. APN: MC/10/2008/451.

Source: Company files.

**Exhibit 3** Responses of the Buyers of HDFC Life Insurance Policy

S. No		Average
1	I came to know about HDFC Life insurance through print/tv/radio/ internet ads.	4
2	I have tried to get more information about the HDFC Life insurance products.	4
3	I felt the need for buying HDFC Life insurance was triggered by a personal need.	4
4	I bought the HDFC Life insurance after I had gathered all the relevant information about the products.	4
5	I was convinced by the agent or salesperson to buy the HDFC Life Insurance.	4
6	After buying HDFC Life insurance, I tried to gather more information about their other products	3
7	I buy HDFC Life insurance, as the entire process is less complex.	4
8	I find HDFC Life insurance buying process to be time effective.	4
9	I find HDFC Life insurance buying process as high on ease of buying.	4
10	I trust HDFC Life insurance hence I buy their products.	4
11	I buy HDFC Life insurance for long term security.	4
12	I find the insurance buying service to be approachable for HDFC Life.	4
13	I feel my needs are taken care of when I am buying HDFC Life insurance online.	4
14	I feel secure when buying HDFC Life insurance.	4
15	I feel financially independent when buying HDFC Life insurance.	4
16	I feel a sense of social approval when buying HDFC Life insurance.	4
17	I know HDFC Life insurance online is committed to serving customers and I am ready to let go of small errors on the part of the brand.	4
18	I find the quality of service with HDFC Life insurance to be consistent.	4
19	I find the process of buying HDFC Life insurance as beneficial for me.	4
20	My need to buy HDFC Life insurance is synonymous with life events like marriage, new job, home loan, new-born baby, security for old parents, etc.	4

S. No		Average
21	I am going to buy HDFC Life insurance products again.	4
22	I am going to recommend HDFC Life insurance product to friends and family.	4
23	I considered the opinion of my friends and family while buying the HDFC Life insurance product.	4
24	I have considered a few things suggested by my friends and family about the HDFC Life insurance product, which I was myself, not aware of.	4
25	I have derived benefits in terms of savings by buying HDFC Life insurance.	4

*Note:* A 5 point Likert scale was used to capture the responses. Higher response indicates a stronger agreement with the respective statement.

*Source:* Field survey commissioned by the authors. The survey was commissioned by Research Services Bureau, Bangalore, May 2012, Mumbai, Bangalore and New Delhi, India.



**Exhibit 4** Responses of Prospective Online Buyers of Insurance

S. No		Average
1	I find it extremely convenient to buy insurance online.	4
2	I can choose from multiple products when buying insurance online.	4
3	I can make an informed buying decision when buying insurance online.	4
4	I buy insurance online because I save money.	4
5	I trust online buying and I am feel secure sharing my details online for buying insurance online	4
6	I considered the opinion of my friends and family on social media when buying insurance online.	4
7	I may buy SBI Life online insurance as the entire process is less complex.	4
8	I may find find SBI Life online insurance buying process to be time effective.	4
9	I may find SBI Life online insurance buying process as high on ease of buying.	4
10	I would like to trust SBI Life online insurance.	4
11	I may buy SBI Life online insurance for long term security.	4
12	I may find the online insurance buying service to be approachable for SBI Life.	4
13	I would think my needs are taken care of when I am buying SBI Life insurance online.	4
14	I would think SBI Life insurance online is committed to serving customers and I am ready to let go of small errors on the part of the brand	4
15	I may buy HDFC Life online insurance as the entire process is less complex.	4
16	I find HDFC Life online insurance buying process to be time effective.	4
17	I find HDFC Life online insurance buying process as high on ease of buying.	4

S. No		Average
18	I trust HDFC Life online insurance.	4
19	I may buy HDFC Life online insurance for long term security.	4
20	I find the online insurance buying service to be approachable for HDFC Life.	4
21	I feel my needs are taken care of when I am buying HDFC Life insurance online	4
22	I know HDFC Life insurance online is committed to serving customers and I am ready to let go of small errors on the part of the brand.	3
23	I may buy ICICI Prudential Life online insurance as the entire process is less complex.	4
24	I find ICICI Prudential online insurance buying process to be time effective.	4
25	I find ICICI Prudential online insurance buying process as high on ease of buying.	4
26	I trust ICICI Prudential Life online insurance.	4
27	I may buy ICICI Life online insurance for long term security	4
28	I find the online insurance buying service to be approachable for ICICI Prudential Life.	4
29	I feel my needs are taken care of when I am buying ICICI Prudential Life insurance online	4
30	I know ICICI Prudential Life insurance online is committed to serving customers and I am ready to let go of small errors on the part of the brand.	4

*Note:* A 5 point Likert scale was used to capture the responses. Higher response indicates a stronger agreement with the respective statement. Though SBI does not have any online offerings, the exhibit attempted to capture the perception of respondents about probable SBI online offerings. Source: Field survey commissioned by the authors. The survey was commissioned by Research Services Bureau, Bangalore, May 2012, Mumbai, Bangalore and New Delhi, India.

# CASE 3

## Himalaya Face Wash: Brand Associations and Lifestyles\*

India was one of the emerging markets that had witnessed a radical change in the lifestyles of consumers in the last decade. About 60 per cent of the country's population was below the age of 35, and youth comprised a significant proportion of the population. Professional personal



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grooming and the use of branded personal care products had become almost an everyday requirement for the urban population. The face wash category was one that had attracted several brands, which consumers were trying out both for their benefits as well as for the experience. The Himalaya Drug Company (Himalaya), which had the Himalaya brand of face wash, was interested in obtaining insights into how the lifestyle of consumers was associated with the use of this category. Several brands had positioned themselves according to various attributes and benefits. Himalaya wanted to understand the impact of values and lifestyles both on the category and on the brands in this category. They made use of a

\* Dr. S. Ramesh Kumar and Eric Minj wrote this case solely to provide material for class discussion. The authors do not intend to illustrate either effective or ineffective handling of a managerial situation. The authors may have disguised certain names and other identifying information to protect confidentiality.

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consumer survey — which was conducted in July and August 2011 — that investigated the lifestyle of consumers and connected it to various brands through the concept of laddering. Were the attributes and benefits of the brands associated with the lifestyles of the consumers? How were values related to brand association? Himalaya hoped to obtain insights through these questions that were part of a case study by Professor Ramesh Kumar, who was interested in connecting concepts with practice and who looked forward to exploring various aspects of consumer behaviour and brand associations.

## INTRODUCTION

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The Indian population had experienced a radical shift with regard to lifestyle changes and consumer preferences over the last two decades. Significantly, brand associations and marketing communication had played an important role in shaping the culture of consumers as they were offered more choices for consumption<sup>1</sup>. One of the important motivational factors for consumers was to let their values guide them in several facets of life<sup>2</sup>. Consumer behaviour and preferences made up one of the important facets through which consumers bought, consumed and developed attachments to brands<sup>3</sup>. Thus, brand associations were linked to the values of consumers<sup>4</sup>.

The face wash category had recently drawn in several brands. The target segment was youth in the age group of 18 to 25 years. Given the newness of the category and its potential in a market such as India where about 60 per cent of the population was below the age of 35,<sup>5</sup> Himalaya was interested in understanding the psyche of consumers by analyzing their values. A value in this context referred to a preferred mode of existence as compared to other modes from which a consumer could choose. Aspiration through professional success, orientation towards the future, choosing symbols as a mode of expression and having a fun-filled life were some of the values that could be associated with the face wash category as well as with several other personal care categories that had been advertised in India for the last five decades or so.

## METHODOLOGY

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The purpose of the case study was to help Himalaya expand the existing user base for its face wash brand by using insights from the examination of brand associations and life-

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styles. An extensive literature review was carried out to understand how to narrow down the values relevant to the category from the study of psychographics (that is, looking at activities, interests and opinions).

For the purpose of the study, a sample of 53 female respondents (within the age group of 22 to 30 years) was chosen. The data was collected in July and August 2011 in the city of Bangalore through questionnaires that were personally administered. The sample of female respondents in this particular age group was chosen because of the similarities in the target segments for the three face wash brands (EverYuth, Clean & Clear and Himalaya) that were considered for this study. Their profile was inferred by studying the relevant advertisements of these brands. A description of the brands' advertisements is provided in Exhibit 1. The authors wanted to use a research methodology that involved the study of the lifestyles of consumers to assess their values, instead of using the concept of laddering<sup>6</sup> (which does not involve the lifestyles of consumers extensively). The authors felt that a detailed understanding of lifestyles could be obtained, and that such details would be useful in the analysis.

The objective of the methodology was to convert the lifestyle statements into values. After the ads of the three brands were analyzed for the values they reflected,<sup>7</sup> 72 lifestyle statements were constructed. The association of these lifestyle statements with values was also tested, initially with five respondents. The lifestyle statements were constructed around 24 values that were identified as being relevant to the target profile of face wash users.

The responses from the 53 respondents who used a face wash (Clean & Clear, Himalaya or EverYuth; (see Exhibit 2) were used to establish the relevance of a set of values for face wash users, taking into consideration the lifestyle indicators reflected in the survey. The challenge for Himalaya was to convert these lifestyle statements into values.

The authors arrived at the attributes and important aspects associated with the face wash category based on their analysis of the three brands and their own perception of the benefits that a face wash should offer. The category-level attributes and benefits were important as the brands needed to take them into consideration regardless of the theme they might have for their marketing communication.

## POPULAR FACE WASH BRANDS

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### Clean & Clear

The Clean & Clear face wash brand from Johnson & Johnson was positioned as a teenage girl's "skin's best friend" and as ideal for all skin types<sup>8</sup>. The product was available in three variants: the Daily Care range for regular facial cleansing and for removing oil, dirt, and other pollutants; the Oil Control range for maintaining oil balance and for refreshing the skin; and the Acne Clearing range for pimple control. Clean & Clear's proposition was to derive confidence by means of a clean and clear skin<sup>9</sup>. The face wash also contained antibacterial ingredients. The advertisements for the brand focused on teenage girls as well as middle-aged women and highlighted the need to look trendy and cool. The advertisements showed several activities associated with the lifestyle of teenagers<sup>10</sup>. The product's proposition was a solution for maintaining the oil balance of the skin and for controlling pimples<sup>11</sup>.

### EverYuth

EverYuth's Naturals brand of face wash was positioned as an anytime solution for refreshing face cleansing<sup>12</sup>. This face wash was advertised as providing purity, freshness and beauty<sup>13</sup>. It was available in four variants, which were advertised as being made from natural fruit extracts. The Lemon face wash, the Neem variant, the Cream variant and the Fruit face wash covered a wide range of skin care benefits. The advertisements for the brand communicated its proposition as a time-saving solution that offered instant beauty<sup>14</sup>. The commercials created the favourable associations of satisfaction, appreciation and confidence that were enjoyed by the user because of the instant beauty offered and highlighted the ingredients of the product<sup>15</sup>.

### Himalaya Herbal

Himalaya's face wash ranges were positioned as natural and herbal products that were soap free<sup>16</sup>. Its ads made use of the idea of a friend as a "problem solver" to convey positive emotions about the brand and to provide assurances about the effectiveness of using it<sup>17</sup>. The Neem face wash was positioned as the solution for common skin problems and offered hassle-free and convenient skin care<sup>18</sup>. The advertisements also depicted men appreciating and admiring the user's beauty (implicitly suggesting that the user would appear attractive to the opposite sex)<sup>19</sup>.

Exhibit 2 provides data on the lifestyle of the target segment, and Exhibit 3 the benefits of the face wash category. Exhibit 4 shows an advertisement for the Himalaya face wash brand that reflects its herbal proposition of oil-free skin.

### The Challenge For Himalaya

Himalaya's challenge was to link the various aspects of the advertisements, the consumer values derived from the lifestyle data and the category attributes and benefits in order to enhance its brand associations, taking into consideration its competitors (EverYuth and Clean & Clear).

The authors would like to thank Antaash Sheikh, manager, marketing communication, Himalaya Drug Company, and Professor Dinesh Kumar, chairperson, research and publications, Indian Institute of Management, Bangalore, for all the support provided

### Exhibit 1 Description of the Advertisements of the Three Face Wash Brands

#### Himalaya Face Wash

Central Character	A teenage girl or a middle-aged woman who is attractive, fashionable, and socially active; is focused on her career or education; and is concerned about the way she looks.
Setting	Problem-solving approach.
Influencer	Friend, narrator.
Analysis of Ads (Television)	The ad centers on urban girls who are particular about their looks. The ad for Himalaya Oil Balancing Face Wash associates excessive facial oil with stickiness and depicts this as an issue causing inconvenience and social rejection. The product is recommended by a friend who describes the benefits of its herbal ingredients, which guarantee an oil-free face leading to soft facial skin. The association of social acceptance of the user's looks after using the brand is also conveyed.
Inferred Consumer Segment	Targeted at women between the ages of 16 to 25 who have oily skin or skin-related problems and are concerned about their looks.
Inferred Benefit Segment	Himalaya's Oil Balancing Face Wash claims to reduce excess facial oil and to keep the skin soft, providing confidence; the Neem Face Wash claims to help in removing acne and in keeping the skin clear.
Tri Components	Affective components such as the feel-good factor, self-acceptance, embarrassment, panic and confusion can be observed in the ad. The cognitive components in the ad relate to the description of the ingredients and beliefs about their benefits.
Motivation Function	The ad focuses on the importance of self-image and the benefits of the products. (Ego: Defensive and Utilitarian)

## Clean & Clear Face Wash

Central Character	A teenage girl who is attractive, fashionable and socially active; is concerned about the way she looks; is open to trying out the latest products and trends in fashion; and is independent in nature.
Setting	Problem-solving approach.
Influencer	Friend, narrator.
Analysis of Ad (Television)	The ad focuses on urban girls who face the problem of oily facial skin. The product promises to keep the skin oil free for eight hours. The characters are young, attractive and trendy females who are keen on keeping themselves abreast with changes in fashion. They seek social praise by being well groomed.

(Continued)

	The ads also portray the concern, nervousness and lack of confidence among women due to skin problems. They show that care should be given so that the hectic lifestyle of the consumers does not cause oily skin and pimple problems. The helpful nature associated with the friend who recommends the brand to the main character creates an emotional appeal.
Inferred Consumer Segment	Targeted at women between the ages of 16 to 25 who have oily skin or face skin-related problems and who want to maintain a good appearance despite their busy schedules.
Inferred Benefit Segment	Clean & Clear Deep Action Cleanser claims to reduce excess facial oil, keeping the skin oil free for the next eight hours and providing confidence. Clean & Clear Foaming Face Wash claims to help in removing acne and in keeping facial skin oil free.
Tri Components	Affective components such as the feel-good factor, self-image, concern, nervousness, individualism and confusion can be observed in the advertisement. Cognitive components consist of the price, the ingredients and the benefits related to the product's usage.
Motivation Function	The ad focuses on the importance for the target segment to boost their self-image through the benefits of the brand. (Ego: Defensive and Utilitarian, Value Expressive)

## Everyuth Face Wash

Central Character	Young women who are conscious about their looks and concerned about their health, who are involved in a lot of social activities and who want to have an identity of their own.
Setting	Problem-solving approach.
Influencer	Narrator.



Analysis of Ad (Television)	The advertisement shows urban women who have a busy lifestyle. The ad depicts the anxiety women face when they need to get prepared for a social interaction. The brand is positioned as the quickest solution for refreshed, clean, fair and soft skin. The ad also shows the opposite sex appreciating the user's beauty, thus highlighting the enhanced self-image resulting from the use of the brand. The ad also highlights the natural ingredients of the product and their benefits.
Inferred Consumer Segment	Targeted at women between the ages of 19 to 30 who have a busy lifestyle.
Inferred Benefit Segment	Refreshed and soft skin after using the brand and its quick application.
Tri Components	Affective components such as the feel-good factor, individualistic feeling and confidence are observed in the advertisement. Cognitive components include the natural ingredients and the benefits related to the product's use.
Motivation Function	The ad focuses on the importance of boosting the user's self-image and the benefits of the product. (Ego: Defensive and Utilitarian, Value Expressive)

Source: Authors' analysis of the advertisements of the three brands.

**Exhibit 2** Lifestyle statements — Activities (A), Interests (I) and Opinions (O) of the targeted consumers for the face wash category

AIO	Statements	Mean
A	I get upset when I don't see the products that I want in a store.	2.87
I	I like to read the stories of people who I aspire to be like.	3.38
O	People like to travel to a lot of places for sightseeing and for memorable experiences.	4.04
A	I feel confident after I choose and use my brand of personal care products.	3.75
I	I like to watch movies that are intelligent and have female protagonists.	3.75
O	I take pride in performing even the smallest activities.	3.7
A	I only eat at certain restaurants.	2.77
I	I like to have maids do the cooking all the time.	2.26

O	Certain kinds of brands show that you are not elegant and classy.	3.15
A	I particularly enjoy shopping or visiting malls/retail stores.	3.81
I	I spend more time shopping for goods I fancy than for goods that I need.	3.36
O	Shopping is more a source of entertainment for me than a necessity.	3.09
A	I go out in the evening for drinks and entertainment.	3.64
I	I like to party on weekends or whenever I get time.	3.57
O	Malls/pubs/discotheques are the places to hang out for enjoyment and fun.	3.34
A	I often take advice from my parents about what I should buy.	2.68
I	I respect all traditions and often try to conform to them.	3.74
O	Traditions are contemporary and relevant in the present day.	3.68
A	I do purchase products out of emotional attachment.	3.49
I	Purchasing my favourite brand makes me happy.	3.89
O	I have a sort of emotional bonding with the product I use.	3.55
A	I find clothes made of khadi (homespun cloth) comfortable to wear.	3.32
I	Ayurvedic products appeal to me.	3.13
O	I love my country.	4.28
A	I purchase a lot of personal grooming products.	3.38

I	I prefer going to a beauty salon than shopping for beauty and grooming products.	3.28
O	I tend to form opinions about people who are poorly or too casually dressed.	2.72
A	I generally buy brands that reflect my uniqueness.	3.47
I	I like to be stand out from the crowd at times.	3.72
O	It's important that people respect one's individuality.	4.09
A	I often buy personal care product with friends.	2.94
I	I prefer to watch TV alone rather than to watch a movie with a group of friends.	2.34
O	Talking over the telephone is better than meeting people for communication.	2.38
A	I love to cook for my friends and family.	3.34
I	I feel upset when my friends don't call me to go shopping with them.	2.79
O	Shops should have seating arrangements to accommodate family and friends while one is shopping.	3.57
A	I usually eat out for fun after shopping.	3.96
I	I find searching for remedies for beauty-related problems satisfying.	3.36
O	Finding the right product for me and/or for others gives me a sense of achievement.	3.55
A	I often advise my friends/colleagues/relatives about the products they should buy.	3.23
I	I like to tell my friends/colleagues/ relatives what would be right for them.	3.28
O	I take initiatives at work/college that showcase my talents.	3.58
A	I often try new brands before my friends/colleagues do.	2.85
I	I like to try a new product to see what it has to offer.	2.89
O	There are always better products available.	3.58
A	Sometimes, I buy cosmetics/beauty care products that were not on my shopping list.	3.62
I	I buy products simply because I liked the advertisements.	2.51
O	Free offers and promotions cannot sell products that are very rarely useful.	3.38

(Continued)

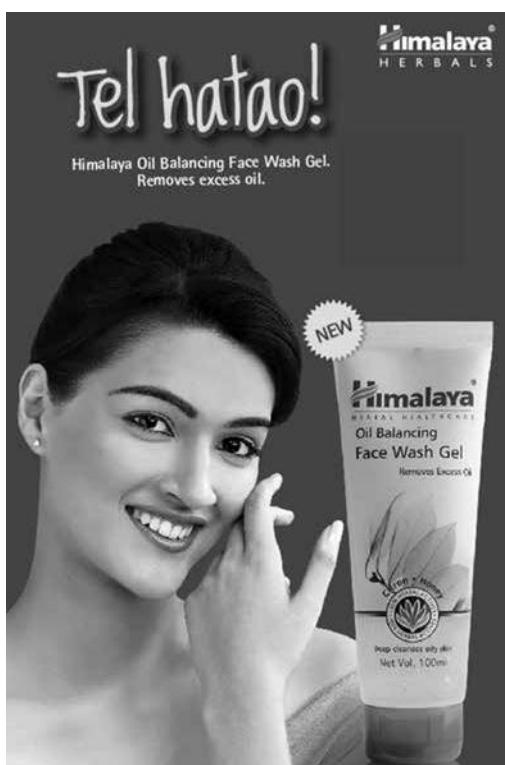
A	I only buy products that are popular/common with my friends/colleagues.	2.64
I	I like to be in touch with all the people I know through social networking.	3.28
O	Using similar brands strengthens my bonds with others.	2.7
A	I purchase brands/products that suit my personality and not what others are buying.	3.64
I	I think my lifestyle is an actual reflection of my personality.	3.53
O	My image is based on the things that I own.	2.91
A	I enjoy bargaining while shopping.	3.13
I	Price promotions in shops often attract me.	3.51
O	Low cost personal care products may be of good quality.	2.41
A	I use only tried and tested products.	3.49
I	I like to use my credit/debit card for purchase through the Internet.	3.47
O	I feel that only a few products are genuinely useful.	3.49
A	I enjoy joy rides and roller coaster rides.	3.47
I	I do not visit the cinema without finalizing what movie I should watch.	3.13
O	I do not like surprises.	2.17
A	I only shop for brands that have celebrity endorsements.	1.96
I	I like to read fashion magazines and other articles that inform me about the latest trends.	3
O	I trust the products that celebrities use.	2.32
A	I don't mind smoking at social gatherings.	2.02
I	I like to be up-to-date with the latest trends.	3.32
O	I am often influenced by some of the latest trends.	3.11
A	I often buy foreign brands.	3.25
I	I like to party regularly.	2.85
O	I think social drinking is acceptable and, at times, necessary.	2.98

**Exhibit 3** List of Attributes and Benefits of the Brands in the Face Wash Category

Attributes/Important Aspects	Category Benefits
Many variants	Groomed looks
Moisturizer/pH neutral	Refreshed looks
Natural/herbal ingredients	Beauty maintenance
Antibacterial/germ protection	Complexion enhancement
Value for money	Feeling of being benefited
Unique/special component	Spotless beauty
Certification	Security of the offering

*Source:* The attributes/important aspects at the category level were obtained from the authors' analysis of the brands in the category.

**Exhibit 4** An advertisement for the Himalaya brand of face wash



*Source:* The Himalaya Drug Company (reproduced with permission from the Himalaya Drug Company).

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# Himalaya Drug Company: Repositioning

Sushil Goswami, brand manager of soaps at India's Himalaya Drug Company, was facing a challenge. The company was wellknown for its herbal offerings, which weremade according to the Indian Ayurvedic practice that used herbs as medicine. It had recently launched Himalaya Soap, a



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product that had to compete intensely with several well-known brands in a market that also included other herbal brands, and Goswami believed that in order to meet the competition, the Himalaya brand of soap had to convey a proposition that ran deeper than just a herbal identity. Further, Goswami thought the brand needed to be repositioned so it could build a long-term brand identity that would contribute to its equity. Goswami decided to conduct customer perception survey that would provide valuable insights into repositioning Himalaya soap.

## INDIAN SOAP INDUSTRY

The Indian beauty and personal care segment grew by almost 100 per cent over five years, with the majority of sales taking place in urban areas.<sup>1</sup> Many fast-moving consumer goods companies were expanding their distribution networks to target rural consumers because of saturation and increased competition in the urban segment. In particular, the soaps category saw sales growth despite an increase in the prices of raw materials. The soap market penetrated 98 per cent of households in India.

Based on the price band or spread, the major brands of the Indian soap industry were divided into three segments: premium, semi-premium and mass (see Exhibit 1). Hindustan Unilever Limited (HUL) was the market leader in the soap category, boasting an overall market share of 49.8 per cent.<sup>2</sup> With its portfolio of soap brands, which were spread across various consumer

segments, HUL competed with other brands such as Lux, Dove, Pears, Breeze, Rexona, Liril and Lifebuoy.

In terms of other competitors, Cinthol represented the major brand of Godrej Consumer Products. Wipro made its presence known by making Santoor and Chandrika. The Indian Tobacco Company launched its products on a positioning of “Nature and Science” in 2006, and it introduced the soap brands Fiama Di Wills, Vivel and Superia. The baby soap market was dominated by Johnson & Johnson. Reckitt Benckiser’s flagship brand, Dettol, positioned itself as a “healthy soap for everyone” or, in the Indian language of Hindi, “Suraksha Parivar.” Other major players included Park Avenue, which offered a deodorant soap, and Karnataka Soaps and Detergents Limited, with its Mysore Sandal Soap.

## COMPANY PROFILE: HIMALAYA DRUG COMPANY

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M. Manal incorporated the Himalaya Drug Company (Himalaya) in the year 1930. By 2012, Himalaya operated in 82 countries. The company’s vision was to introduce Ayurveda to society in a contemporary form and to unravel the mystery behind this 5,000-year-old system of medicine. The corporate mission demanded that Himalaya would establish itself as science-based, problem-solving, head-to-toe brand, harnessing nature’s wealth and promoting healthy living. In line with this mission, the company focused on developing products that would help customers lead healthy lives. To achieve this goal, Himalaya used cutting-edge technologies to produce safe, natural and innovative remedies, operating in the pharmaceutical, personal care and animal health categories.

When the beauty and personal care market started to acknowledge the benefits of non-synthetic chemical ingredients based on natural extracts, the company diversified its beauty and personal care offerings, drawing inspiration for its brand identity from the

Himalayas, the mountain range from which its name was derived and which represented purity and elevated ideals. This mountain range was also home to a source of natural herbs. Himalaya followed a unique business model that developed Ayurvedic and herbal drugs in an allopathic manufacturing setup and distributed these pharmaceutical products through a network of medical representatives. The company enjoyed a strong presence across India, with products sold mainly through store-based retailing, including chemists/pharmacies, supermarkets and hypermarkets. Himalaya also opened up its own retail outlets to highlight its range of products, which included a wide portfolio in beauty and personal care products (e.g., baby, hair, skin and oral care). The largest-value sales contributors were Himalaya’s skin- and hair-care products, with other categories contributing much less.<sup>3</sup>

### Himalaya Soaps

Himalaya Soap, a herbal healthcare product, was introduced in March 2011, as a category extension of its existing beauty and personal care offerings — face wash and toothpastes. At the outset, Himalaya launched four variants of its new range of herbal soaps: Refreshing Cucumber Soap, Protecting Neem & Turmeric Soap, Nourishing Cream & Honey Soap, and Moisturizing Almond Soap. Himalaya Soaps could be differentiated from those of its competitors based on the soaps’ range of natural ingredients. Traditionally, Ayurvedic pharmaceuticals commanded relatively high prices because Ayurveda was perceived as offering a skilled, customized approach as compared to the more homogenized approach of traditional allopathic medicine. Himalaya’s products were priced to reflect the company’s belief that consumers do not mind paying a higher price for products that are made



from natural ingredients and that offer the same benefits as standard cosmetics.

The print advertisement of Himalaya's Protecting Neem & Turmeric Soap, with the interpretation of its storyboard, is presented in Exhibits 2, 3 and 4. The key value proposition of the brand came from its offering of Neem and Tulasi, which had long been a part of skin-care regimens in the Indian culture.

Within the same price range, the primary competitors for Himalaya Soaps included Medimix, a herbal offering that focused on Ayurvedic functional benefits; and Lux, a non-herbal offering that focused strongly on emotional benefits. Lux had established itself on the functional benefit of complexion care over decades, and reigning celebrities made up a part of its imagery throughout its advertising history.

## Consumer Insights

Goswami planned the consumer survey with the objective to understand the dimensions of brand image associated with the soap used by three sets of users:

- Users of Lux, a popular brand of non-herbal bathing soap; it was felt that the perception of the users of a leading brand would be useful to the repositioning of Himalaya soap brand.
- Herbal users of Himalaya bathing soaps.
- Herbal users who did not use Himalaya bath soap. (Users of Medimix herbal bath soap were identified because the brand competed directly with Himalaya.)

The questionnaire had three parts: dimensions related to the functional benefits of soaps, brand image dimensions, and advertising dimensions. Responses from 35 respondents from each of the three user categories (i.e., 105 respondents in total) were collected through a simple random sampling process. The survey responses were analyzed using suitable analytical methods from which to derive inferences.

The results of the study indicated that the brand image developed throughout the chosen dimensions remained the same among the three categories of consumers considered (see Exhibits 5, 6 and 7). The results also showcased the similarity in purchasing decisions of Indian consumers across categories for various benefits, such as fragrance and moisturization. These survey responses indicated that advertising played a dominant role in building brand image. The positioning maps are presented in Exhibit 8.

## PREPARING TO REPOSITION THE HIMALAYA BRAND

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The soap market was highly competitive, and Himalaya faced some strong competition from other herbal soap brands. (Although only the Medimix brand has been discussed in the case, there were other national brands, such as Santoor, Chandrika and Hamam, and regional brands, such as Krishna Tulasi, all of which made the herbal soap market highly competitive.) The advertising campaigns and brand positioning seemed to be cluttered with functional, emotional and celebrity appeals. With the proliferation of brands in the soap category, Goswami felt a clear message that provided Himalaya soap's differentiating proposition needed to be conveyed to consumers.

Himalaya was a strong herbal brand, and Goswami knew that it had to quickly cultivate a strong consumer base. To do so, the company would have to develop a stronger positioning strategy, one that it would be able to sustain in the long term. Using the herbal aspect of Himalaya's soaps as a value proposition was likely to become generic, especially when other brands had entered the herbal soap market. In terms of Himalaya Soap's positioning within the market, something more was needed — but what?

Goswami recognized that he had to make a few important decisions, and time was of the essence. He turned to the data that had been captured by the survey, expecting that it would help him with his decision-making process.

**Exhibit 1** Classification of major soap brands in India

Premium Segment (> ₹ 25 per 100 grams)	Semi-Premium Segment (₹ 15-25 per 100 grams)	Mass Segment (< ₹ 15 per 100 grams)
Dove	Santoor	Breeze
Frama Di Wills	Cinthol	Rexona
Mysore Sandal	Liril	Lifebuoy
Pears	Lux	Superia
J&J Baby Soap	Dettol	Chandrika
	Vivel	Medimix

*Source:* Authors' analysis of price bands of various soap brands in India (\$1 = ₹ 70 approximately in 2013).

## Exhibit 2 Communication of Himalaya Brand



*Source:* The advertisement has been reproduced with the permission of Himalaya Drug Company.

### TV Commercial — Himalaya Soaps

The ad starts with a fresh, happy, young working woman setting off to her office early in the morning. After working all day long, when her husband comes to pick her up in the evening, she has no option but to use powder to make up for the lost freshness in her skin. After realizing that health or beauty soap will not help her, she remembers the Himalaya Neem & Turmeric soap that keeps the skin beautiful and protected at the same time. In the voice-over, the benefits of the soap, in terms of its natural ingredients, are elaborated: turmeric, which is known to add glow to the skin; and neem, which is known to offer great protective benefits for beautiful skin.

The commercial ends with the woman leaving her office the next evening, after experiencing the day-long freshness provided by using Himalaya soap. Her husband, who comes to pick her up again, is also delighted to meet her.

*Note:* The description of the TV commercial is based on the authors' interpretation of the cited source.

*Source:* [www.youtube.com/watch?v=yy\\_ceCiNyXI](http://www.youtube.com/watch?v=yy_ceCiNyXI), accessed August 10, 2012.

### Exhibit 3 Communication of Lux Brand

#### TV Commercial — Lux Soap

This ad depicts the functional advantage of the soap by using the jingle, in the regional language, “sone se bhi sunehri twacha” (“skin brighter than gold”). This ad starts with displaying the main ingredients of the soap, such as sandalwood and moisturizing cream, which provide the functional benefit of glowing and smooth skin to young women. It also shows how everyone is attracted to the young woman, and the style of walking reflects the confidence the woman has after using the soap. In summary, the soap conveys the functional benefits and psychographics of young, and confident women.

*Source:* [www.youtube.com/watch?v=ZUzeR4I0EBM](http://www.youtube.com/watch?v=ZUzeR4I0EBM), accessed on August 10, 2012.

*Note:* The description of the TV commercial is based on the authors’ interpretation of the cited source.

### Exhibit 4 Communication of Medimix Brand

#### TV Commercial — Medimix Soap

This ad conveys the functional benefit of soap users having young and healthy skin. The ad starts with a daughter telling her mother that if her mother joins her college, everyone will mistake them for sisters because of her mother’s healthy skin. The daughter asks whether her skin is healthy because of genes. The mother clarifies that everyone will have good skin in the absence of skin problems. The daughter asks how one could get rid of skin problems and doubts that it is possible. The mother tells her that the magic lies in her hands, and that magic is Medimix soap. The voice-over mentions that this soap is made up of 18 herbs. The ad ends with the mother saying that because of Medimix, there will be no skin problems, and the daughter saying that her mother’s words do not need confirmation from anyone else.

Thus, this ad intelligently mixes the functional benefits of Medimix and couples them with an emotional touch of a mother with healthy, young-looking skin who inspires her daughter. By focusing on the confidence that a daughter has in her mother, this ad tries to reinforce the confidence of the users of Medimix soap in healthy skin.

*Note:* The description of the TV commercial is based on the authors’ interpretation of the cited source.

*Source:* [www.youtube.com/watch?v=w3a1GfRq7Rs](http://www.youtube.com/watch?v=w3a1GfRq7Rs), accessed August 10, 2012.

**Exhibit 5** Response to Importance of Functional Benefits by Three Sets of Users

Functional Benefit	Responses Himalaya Soap users	Responses Medimix Soap users	Responses Lux Soap users
	$\mu$	$\mu$	$\mu$
Moisturization	3.83	3.86	3.91
Youthful skin	3.71	2.74	3.66
Glowing skin	3.45	3.71	3.46
Fragrance	3.80	3.80	3.8
Natural ingredients	4.23	4.49	4.03
Freshness	3.91	3.31	3.51
Price	3.69	3.43	3.66
Hygiene (germ-free)	4.17	4.26	4.03

These values indicate the mean intensity of the attribute on a scale of 1 to 5; the higher the value, the greater the agreement of the respondent.

Source: Consumer survey undertaken by the authors at Bangalore in August 2012.

**Exhibit 6** Response to brand image dimensions by three sets of users

Mean Values by Segment	Responses Himalaya Soap users	Responses Medimix Soap users	Responses Lux Soap users
My soap gives me confidence when I use it	3.49	3.03	2.94
When I use the soap that my friends use, it improves my sense of belonging	2.31	2.29	2.26
My soap gives me a sense of individuality when I use it	2.91	2.94	2.74
I heard about my soap from my friends/ family or online communities	2.69	2.86	2.94
I heard about my soap from ads in the media	3.54	3.69	3.31
Packaging of a soap is a criterion in selection of a soap	3.49	3.43	3.26
I prefer soaps that convey pride of ownership in addition to mentioning skin benefits they provide	3.17	3.17	2.80
I want my soap to have a distinguished colour from other soaps	2.49	2.63	2.37
If I don't find the soap I am looking for, I am ready to switch to another soap	3.63	3.31	3.26
Slogan of a soap brand influences my selection of the soap	2.43	2.29	2.49
I will even try soaps that I have not heard of 'til now	3.20	2.57	2.49
I will buy that soap that comes to my mind when I think of a soap	3.46	3.00	3.03
I will buy only those soaps that I know	3.00	3.89	3.80
Celebrity endorsement is a key factor when I purchase a soap	2.31	2.14	2.09

These values indicate the intensity of the attribute on a scale of 1 to 5; the higher the value, the greater the agreement of the respondent.

Source: Consumer survey undertaken by the authors at Bangalore in August 2012.

**Exhibit 7** Response to brand communication dimensions by three sets of users

Mean Values by Segment	Responses Himalaya Soap users	Responses Medimix Soap users	Responses Lux Soap users
I prefer soaps whose ads are creatively different from other soap ads	3.23	3.09	3.03
I prefer soaps whose ads communicate their features and usefulness	4.06	4.03	3.66
I prefer soaps whose ads showcase Indian culture and values	2.86	2.83	2.69
I prefer soaps that show how I can transform my life by using them	2.57	2.49	2.69
I don't mind if the brand-image celebrity used for the soap ad does not represent the soap's brand image	3.06	2.86	3.17

These values indicate the intensity of the attribute on a scale of 1 to 5; the higher the value, the greater the agreement of the respondent.

Source: Consumer survey undertaken by the authors at Bangalore in August 2012.

**Exhibit 8** Positioning Maps of Brands

**(a) Natural Ingredients Versus Price**

High number of natural ingredients	
Chandrika	Himalaya
Low price	High price
Hamam	Vivel Emami
Neem	Margo
	Lux Dettol Mysore sandal Fiama di wills Dove
Low number of natural ingredients	

**(b) Moisturization Versus Fragrance**

Lux High fragrance
--------------------

Mysore sandal			
Margo		Emami	
Dettol			
Neem		Fiama di wills	
Chandrika			Himalaya
Low moisturisation			High moisturisation
Hamam	Vivel		
			Dove
		Low fragrance	

Source: The authors' perception of TV commercials of soap brands/benefits offered with prices for 75 gram pack.

## BMW TAPS THE EMERGING CHINESE LUXURY MARKET

Companies around the world are focused on the huge potential of the Chinese consumer market. Perhaps nowhere is this more evident than in the automobile market. BMW is one of several Western automotive companies currently doing business in China. They have invested heavily in developing appropriate relationships and distribution outlets since their entry into the market in 2003. China is now BMW's second largest market (ahead of the United States) and ongoing growth is expected. Growth expectations seem reasonable since currently only 50 of every 1,000 Chinese citizens own a car and yet the Chinese auto market is still the largest in the world, outstripping the United States by roughly 40 percent. By 2030, estimates suggest that there will be 400 to 500 vehicles per 1,000 Chinese citizens!

As China's prevalence in the global economy grows, the average earnings of Chinese workers are also increasing. Chinese workers have seen double-digit growth in their earnings in recent years. Along with this greater purchasing power has come a desire for more consumer goods and services. Beyond a growing economy and incomes, several other factors are contributing to greater automobile ownership in China, including:

- **Increasing availability of credit.**
- **Expanding automobile dealer networks.**
- **Widespread road construction in rural areas.**
- **Greater purchase ability due to higher savings (saving is a Chinese cultural norm).**

As China's consumer culture becomes more prolific, the newly rich Chinese place more emphasis on status and especially favor European luxury brands. Many Chinese consumers also spend disproportionate amounts of their income on cars. For example, those who make more than 50,000 yuan per year buy vehicles for prices that are roughly equivalent to their annual income. According to BMW Brilliance's senior vice president, 2010 yielded a 70 percent increase in luxury car sales and he expects further growth in the Chinese luxury vehicles market over the next five years.

Tapping this highly desirable market is not without its challenges. Business is done differently in China. China maintains legal restrictions on foreign ownership that essentially requires joint ventures within which technology and trade secrets are shared. In addition, foreign automakers entering China must spend time developing "guanxi", a form of relationship based on trust and interpersonal relationships. Consider the following comment by one Chinese expert:

Chinese consumers also have their own unique tastes and preferences. In response, BMW has modified their

*You really have to do your homework and research the kind of connections you want to create and drive them by yourself. Otherwise, you won't end up with the right relationships or will find them too hard to sustain. [Some multinational companies] don't have the patience or willingness to give equal respect to local partners and understand what they can do and offer. Their local knowledge and expertise is undermined and overlooked. That's bad for business and doesn't sustain "guanxi" between partners.*

product offerings to better suit these unique wants and desires. Among the customized automobiles that BMW has developed are:

**Special edition China-only models:** These have lengthened wheelbases and more limo-like features. Unlike the U.S. market, the expanding Chinese middle class does not favor SUVs, but prefers the luxurious features of European sedans.



***Adaptations to regional preferences:*** Northern Chinese prefer larger vehicles than those in the South because they associate size with prestige or social status, so regional adaption is desirable.

***Electric and hybrid vehicles:*** Electric and hybrid vehicles are becoming more popular than traditional gas-only engines due, in part, to China's worsening traffic jams. In response, BMW unveiled a new plug-in hybrid that will be built in Shenyang, China, and will only be available in China.

### Discussion Questions:

1. *a.* Explain how luxury products such as the BMW automobile might fulfill needs even within the traditional China consumers. *b.* Explain other factors that might influence the desire for luxury among Chinese consumers.
2. Develop a sample advertisement for BMW in China. Include the major theme and the visual that you would utilize. Explain and defend your choices.
3. Growth in car ownership in China is expected to explode in the next 20 years. This will, for many Chinese, involve buying and owning a car for the very first time. In terms of adoption of innovation for these first-time buyers:
  - a.* What type of innovation is the car for Chinese consumers who have never owned one? Explain.
  - b.* The current car owners in China, comprising 5 percent of the population, would fall into which adoption categories?
4. Developing guanxi is a vital part of business in China. Using the text and case, explain how a Western company could build guanxi with their Chinese business partner.
5. China is not the only Asian country with a large population that represents opportunity for new customers who have their own unique tastes. Similar to BMW Brilliance, BMW India serves the Indian market and launches certain models especially for India. Discuss factors that make India attractive to BMW.
6. Compare and contrast India and China in terms of the key demographics that BMW must address.
7. The automobile is an innovation that is not as widespread in India as in other countries. Draw two separate adoption curves, one for rural consumers and one for urban consumers in India. Defend your answer based on demographics, values, and lifestyle factors.

Angry Birds is a simple and extremely popular video game that has taken the world by storm. Angry Birds is a mobile app whose franchise is also expanding to video game consoles, board games, cookbooks, and pigs. If the players complete their mission of killing all the pigs within the allotted time and number of birds, they pass to the next level, where different pigs and structures await to be killed and destroyed. As players progress through the stages of the game, new types of birds and features, such as explosives, become available. Numerous free updates, additional content, and holiday promotions help keep consumers hooked on this game.

The global market for applications, or “apps,” is already huge and continues to grow at an exponential rate. In 2010 alone, the global app market accounted for \$6.8 billion in sales. Analysts project that this market will see double-digit growth and be worth \$25 billion by 2015. Currently over 2 million apps are available and North America produces the most revenue in the app market. However, Asia has the highest number of total app downloads. Of all the apps out there, Angry Birds may be one of the most popular of all time. Angry Birds is downloaded more than 1 million times a day and played for more than 200 million minutes a day.

An executive for the company is exuberant about the app, stating, “Angry Birds is going to be bigger than Mickey Mouse and Mario.” A combination of factors has helped lead to Angry Birds’ success.

- Angry Birds also received a boost from celebrities giving their endorsement by telling fans that they are hooked on the game (e.g., Anja Pärson, a Swedish skier).
- The company made Angry Birds very simple to use, increasing its “addictive power.”
- The unpredictability of the game also lures in consumers.
- The company engages in customer relationship management and maintains communication with its customers through social media.

However, above all, one company executive attributes Angry Birds’ initial success to the Apple platform, which is where Angry Birds started. It [Apple] has opened up for innovation and given us a huge market. The game itself is made possible by the touch technology, which hit the market at the right time with the growth of smart phones and the launch of the App Store. The key is to offer it for free and reach volume. You need to get the game out to the masses. It is important to continue being number one in the app store. When you manage to do this, the challenge is to build an even greater audience.

The Angry Birds franchise continues to grow and engage consumers by partnering with other organizations and developing new innovations. Soon, they hope to allow users to get special game features as a function of their location. And the company is offering Angry Birds merchandise like speakers in the shape of the Angry Birds characters for assorted electronic devices.

In regard to cause-related marketing, the company behind Angry Birds (Rovio) has joined Bird Life International in the fight to save threatened birds from extinction. Rovio is helping to raise awareness of bird extinction issues through the in-game that directs players to visit Bird Life International’s web page to learn more about their programs. Likewise, Bird Life’s webpage hosts a trivia question about bird extinction that produces a secret level of Angry Birds for those players who visit its site.

### Questions:

- Q.1) What type of innovation is Angry Birds; continuous, dynamically continuous, or discontinuous innovation? Justify your answer.**
- Q.2) Discuss the impact that this cause-related marketing partnership could have on the consumers of Angry Birds.**
- Q.3) What are some cultural factors that app designers should consider when entering into the Indian market?**
- Q.4) Angry Birds is appealing to young children because of its simplicity and cartoonish quality. Correlate the concept of WOM & Opinion Leadership to this context.**

# Part Three CASES\*

## 3-1 PATAGONIA'S ECO-FASHION PUSH

Concerns about the environment continue to grow. Consumers are becoming more educated about environmental friendliness with over one-third of consumers believing that it is important for companies to be environmentally conscious. Not surprisingly, green-household products had the highest adoption rate of all consumer goods categories in six out of the eight countries that were included in a recent survey.

While automobiles often garner the lion's share of media attention regarding the environment, consumers also voice concerns about the impact of the products that they eat and wear. According to one expert:

Early in the study, we asked consumers what green products they were looking for, and they were looking for products that were closer to them—that they put in their body or on their body.

In terms of what consumers are putting on their bodies, environmentally friendly apparel, also called *eco-fashion*, is becoming increasingly popular. Consumers favor natural fibers in their clothing over synthetic materials. A survey from Cotton Incorporated found that 83 percent of consumers believe that clothing made from 100 percent natural fibers is better for the environment than other clothing materials. However, consumers also consider their awareness of a brand's corporate actions, values, recycling and packaging efforts, sustainability, and supply chain decisions when making decisions about environmentally friendly apparel.

Patagonia is an apparel company that shares the environmentally conscious values of many consumers. Since 1985, Patagonia has donated at least one percent of annual sales to environmental charities. Patagonia's One Percent for the Planet program has influenced other companies to follow its lead. Patagonia is continuously looking for new ways to be more environmentally friendly. According to Patagonia's founder, Yvon Chouinard:

We're switching all our nylon to something called Nylon 6, which can be recycled infinitely. We're recycling cotton; we're recycling wool. We send polyester back to Japan, where it gets melted down into its original polymer. Of course, the best thing to do is make clothing so it never wears out, right?

Patagonia's 2011 fall collection continued the theme of environmental responsibility. The fabrics used were environmentally friendly. Thirty-six percent of their fabrics were Bluesign approved. Bluesign is an independent auditor that requires members to establish management systems to improve environmental performance as follows:

Bluesign® members agree at the outset to establish management systems for improving environmental performance in five key areas of the production process—resource productivity, consumer safety, water emissions, air emissions, and occupational health and safety. Members regularly report their progress and must meet improvement goals to maintain their status; bluesign® technologies performs regular audits.

In addition, all styles currently being released are eligible for the Common Threads Recycling Initiative. In this program, consumers are encouraged to reduce clothing consumption, repair worn clothing when possible, reuse clothing by donating it to others, and recycle worn clothing when beyond repair.

Patagonia's designs are popular among everyday consumers and celebrities. Brad Pitt has been seen sporting Patagonia clothing, which may have had something to do with him being named one of Hollywood's "Greenest Stars."

In 2010, Cotton Incorporated conducted a Consumer Environment Survey to study consumers' attitudes about environmental friendliness in the apparel industry. They segmented consumers into five groups based on their attitudes and behaviors regarding environmentally friendly apparel, as shown in Table A.

\*Part Three cases are contributed by Carolyn Findley Musgrove, Assistant Professor of Marketing, Indiana University Southeast.



**TABLE****A****Attitudes and Behaviors of Green Apparel Consumers**

Consumer segment	%	Attitudes and Behaviors
Dark green	7	Very likely to seek out environmentally friendly apparel; would be extremely bothered and complain if company engaged in practices that were not environmentally friendly.
Green	9	Very likely to seek out environmentally friendly apparel.
Light green	54	Somewhat or moderately likely to seek out environmentally friendly apparel.
Pale green	14	Do not seek out environmentally friendly apparel.
Non-green	16	Do not seek out environmentally friendly apparel; would not be bothered if firm engaged in practices that were not environmentally friendly.

Source: Cotton Incorporated's 2010 *Consumer Environment Survey*.

Further, the researchers at Cotton Incorporated profiled each of these five green consumer segments based on the characteristics of apparel that play the most important role in their apparel purchases. A summary of each segment's profile is available in Table B.

Finally, Cotton Incorporated's researchers profiled each of the green consumer segments, with demographic information shown in Table C.

### Discussion Questions

- Using the information provided in the tables, which of the five green segments identified by Cotton International would you target if you were marketing a clothing line in each of the following situations. Explain your choices.
  - Well-known brand name that is moderately environmentally friendly but has the potential for mass appeal.
  - Well-known brand name with a track record of environmental friendliness and a high natural-fiber content.
  - Moderately well-known brand name, with low prices, that has been cited in the past for behaving in ways that are not environmentally friendly.
- The green segmentation scheme presented in this case is particular to green apparel. Compare and contrast the green apparel segments with the green segments described in Table 3-1 of the text.
- The case mentions that Brad Pitt has been spotted in the media wearing Patagonia clothing. In what ways is this potentially positive for the brand?
- Consider that Patagonia was going to sign a celebrity endorser to their brand.
  - What factors should Patagonia consider when choosing a celebrity endorser?
  - What celebrity would be a good endorser for Patagonia? Justify your answer.

**TABLE****B****Purchase Drivers for the Green Apparel Segments**

% of Consumers Citing the Factor as Important in Apparel Purchases	Dark Green (%)	Green (%)	Light Green (%)	Pale Green (%)	Non-green (%)
Fit	99	99	97	99	96
Color	96	92	96	86	85
Style	96	93	90	88	84
Price	96	94	94	93	93
Environmental friendliness	93	84	55	27	12
Fiber content	91	82	67	51	44
Laundering instructions	87	79	66	57	47
Brand name	76	74	51	39	34

Source: Cotton Incorporated's 2010 *Consumer Environment Survey*.

5. Chapter 12 outlines the VALS lifestyle segments. Which of these lifestyle segments is the most likely target market for Patagonia products? Could more than one group be a good target market? Justify your answer.
6. In terms of Cotton Incorporated's five green consumer segments for apparel, their purchase motivations, and their demographics, describe a target market for Patagonia.

Source: J. Pearson, "Hollywood Goes Green!" *Star Magazine*, 2007, [www.starmagazine.com](http://www.starmagazine.com); S. Casey, "Patagonia: Blueprint for Green Business," *Fortune*, May 29, 2007, [money.cnn.com](http://money.cnn.com); T. Foster, "Patagonia's Founder on Why There's 'No Such Thing as Sustainability,'" *Fair Company*, July 1, 2009, [www.faircompany.com](http://www.faircompany.com); "Shades of the Green Consumer," *Cotton Incorporated Supply Chain Insights*, 2010; E. Grady, "Patagonia Launches Common Threads Initiative to Curb Clothing Consumption," *Treehugger.com*, November 15, 2010, [www.treehugger.com](http://www.treehugger.com); "Introducing the Common Threads Initiative," *Patagonia.com*, 2011, [www.patagonia.com](http://www.patagonia.com); "Seventh Gen and Whole Foods Top Green Brands Ranking," *Environmental Leader*, June 10, 2011, [www.environmentalleader.com](http://www.environmentalleader.com); E. Grady, "Patagonia Steps Up Sustainability in New Fall 2011 Styles," *Treehugger.com*, June 12, 2011, [www.treehugger.com](http://www.treehugger.com); and "Survey: People Getting Smarter about Going Green," *Ad Age Blog*, June 13, 2011, <http://adage.com>.

**TABLE C** Demographics of Green Consumers

	Dark Green (%)	Green (%)	Light Green (%)	Pale Green (%)	Non-green (%)
<b>Gender</b>					
Male	51	46	39	31	45
Female	49	54	62	69	55
<b>Age</b>					
Average age (years)	39	36	36	38	38
14 to 24	12	20	20	20	21
25 to 34	23	23	17	13	15
35 to 44	30	27	25	28	26
45 to 54	36	30	39	41	39
<b>Income</b>					
Average annual (000)	70	64	61	58	63
<b>Ethnicity</b>					
Caucasian	57	63	64	67	67
African American	16	10	12	13	15
Hispanic	14	16	17	14	12
Asian	8	8	5	1	3
Other	6	3	3	4	2
<b>Education Level</b>					
Less than high school diploma	6	15	10	15	13
High school graduate	27	34	34	36	33
Some college	21	18	26	30	26
College degree or higher	46	34	30	19	29
<b>Children in the Household</b>					
Yes	59	60	51	47	50
No	41	40	49	53	50
<b>Region</b>					
South	35	45	35	33	40
West	26	19	25	26	18
Midwest	20	21	20	25	26
Northeast	19	15	20	18	15

Source: Cotton Incorporated's 2010 Consumer Environment Survey.



## The JEEP Community

The Jeep brand has a long tradition of fostering a community spirit. It strives for a balance between grassroots organizing and corporate efforts. Jeep creates events for enthusiasts and venues where members contribute, thereby fostering a sense of community. In addition, Jeep owners organize their own events and clubs that have nothing to do with the company. The Jeep community started offline. Events, organizations, and activities include the following:

- **Camp Jeep**—This event, hosted each year by Jeep, is a family event with activities including camping, crafts, concerts by such acts as Tim McGraw, and, of course, off-road driving on a specially designed course where owners can test their skills and their Jeep vehicles.
- **Jeep Jamboree**—These are Jeep-sponsored off-road treks that are fully focused on the off-road driving experience and are held all over the country in such 4 3 4 destinations as Moab, Utah.
- **Local Jeep clubs**—These are member created clubs with their own rules, regulations, culture, and leadership. One is the Sacramento Jeeps club, established in 1957. Membership requires owning a four-wheel-drive Jeep, attending three meetings a year, and driving in three club trips a year.

While the community started offline, it has moved online as well in a number of ways, including:

- **Jeep's Facebook fan page**—Jeep has a fan page on Facebook with over 1 million fans who “like” Jeep. Fans can post questions, videos, and pictures related to their Jeep and Jeep experiences. Jeep can target Facebook users in general by finding those with interests that match the Jeep lifestyle. Jeep can target its fans even more specifically with more refined marketing messages, announcements, and offers.
- **Jeep's YouTube channel**—The Jeep brand also has a YouTube channel, which is a sponsored YouTube area where Jeep and community members can post videos. Some of the Jeep commercials posted by Jeep and some are videos from members taken at Jeep Jamborees and other off-road events.
- **Local club websites**—Local clubs also have their own websites that provide information, news, classified ads, discussion forums, and so on. These sites range from simple to elaborate depending on the group's culture, values, and goals.

The Jeep brand has been fostering this community for decades—sometimes leading, sometimes following, and sometimes helping. Though some Jeep owners do not join this community, members tend to be intense, active, and devoted. They are connected to the Jeep brand, the Jeep community, and the lifestyle it represents in a very deep way that permeates their lives and helps define who they are.

### QUESTIONS

**Q1.) How can the “Jeep Community” aid the marketers?**

**Q.2) How can the community possibly benefits the existing/aspiring Jeep owners?**

**Q.3) Could this community lead to formation of reference groups? Justify your answer.**