

SREENIVASA INSTITUTE OF TECHNOLOGY AND MANAGEMENT
STUDIES::CHITTOOR
DEPARTMENT OF MANAGEMENT STUDIES
II MBA III Semester – Elective - II
Consumer Behaviour

UNIT- 1

Syllabi: UNIT - I **Introduction to consumer behavior**

Understanding consumers and market segments, Consumer behavior and marketing strategy, Psychographic Dimensions- consumer motivation, Perception, personality, Information processing, Attitude formation and attitude change.

I- Introduction to consumer behavior

1.1 Concept of Consumer behavior

Consumer behaviour is the study of individuals, groups, or organisations and all activities associated with the purchase, use and disposal of goods and services. It encompasses how the consumer's emotions, attitudes, and preferences affect buying behaviour.

The study of consumer behaviour formally investigates individual qualities such as demographics, personality lifestyles, and behavioural variables (like usage rates, usage occasion, loyalty, brand advocacy, and willingness to provide referrals), in an attempt to understand people's wants and consumption patterns.

1.1.1 Consumer:

The individual or group that uses or consumes the product or service, whether or not they were the one who paid for it

1.1.2 Customer:

An individual or organization that buys a product or service, typically for resale, gifting, or personal use

Examples

A parent buys a video game for their child

- The parent is the customer because they made the purchase.
- The child is the consumer because they are the one playing the game.

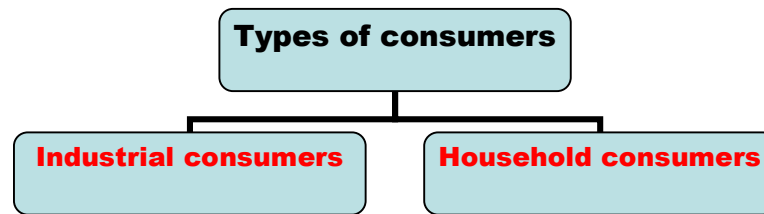
A company buys software for its employees

- The company is the customer by paying for the software.
- The employees are the consumers because they use the software.

SREENIVASA INSTITUTE OF TECHNOLOGY AND MANAGEMENT
STUDIES::CHITTOOR
DEPARTMENT OF MANAGEMENT STUDIES
II MBA III Semester – Elective - II
Consumer Behaviour

1.1.3 Types of customers

In marketing, consumers are broadly categorized as either industrial consumers (businesses, wholesalers, or distributors) or household consumers (individual consumers or families).



Industrial consumers: Industrial consumers purchase goods and services for business operations

Household consumers: household consumers purchase goods and services for personal use and consumption.

These two categories differ significantly in their buying motivations, decision-making processes, and the types of products they seek.

1.1.4 Definitions of Consumer behavior

According to **Engel, Blackwell, and Mansard**, "Consumer behaviour is the actions and decision processes of people who purchase goods and services for personal consumption"

According to **Loudon and Della Bitta**, "Consumer behaviour is the decision process and physical activity that individuals engage in when evaluating, acquiring, using, or disposing of goods and services".

According to **Philip Kotler**, "Consumer behavior is the study of how people buy, what they buy, when they buy, and why they buy"

1.1.5 Nature of Consumer Behaviour

1. Complex and Multifaceted

Consumer behavior is complex and influenced by a variety of factors. It involves not just the purchase decision but also the psychological, social, and cultural processes that lead up to and

SREENIVASA INSTITUTE OF TECHNOLOGY AND MANAGEMENT
STUDIES::CHITTOOR
DEPARTMENT OF MANAGEMENT STUDIES
II MBA III Semester – Elective - II
Consumer Behaviour

follow that decision. Consumers are influenced by their motivations, attitudes, perceptions, and social interactions, making their behavior unpredictable and diverse.

2. Dynamic and Ever-Changing

Consumer behavior is not static; it evolves over time as consumers are exposed to new information, technologies, social trends, and economic conditions. What consumers value today may not be what they value tomorrow, and their preferences can change rapidly in response to external stimuli.

3. Influenced by Internal and External Factors

Consumer behavior is shaped by both internal (psychological) and external (social and environmental) factors. Internal factors include motivation, perception, learning, beliefs, and attitudes, while external factors encompass cultural, social, and economic influences.

Internal Factors:

- ✓ **Motivation:** The driving force behind a consumer's decision to fulfill a need or desire.
- ✓ **Perception:** How consumers interpret information and make sense of the world around them.
- ✓ **Learning:** Changes in behavior based on past experiences and information.
- ✓ **Beliefs and Attitudes:** The personal principles and feelings that influence decision-making.

External Factors:

- ✓ **Culture:** The shared values, norms, and practices that shape a consumer's preferences.
- ✓ **Social Class:** The influence of a consumer's economic status on their purchasing behavior.
- ✓ **Reference Groups:** The impact of family, friends, and social networks on a consumer's decisions.
- ✓ **Economic Environment:** The broader economic conditions that affect consumer spending power and confidence.

SREENIVASA INSTITUTE OF TECHNOLOGY AND MANAGEMENT
STUDIES::CHITTOOR
DEPARTMENT OF MANAGEMENT STUDIES
II MBA III Semester – Elective - II
Consumer Behaviour

4. Decision-Making Process

Consumer behavior involves a decision-making process that typically follows a series of steps: problem recognition, information search, evaluation of alternatives, purchase decision, and post-purchase behavior.

1. **Problem Recognition:** The consumer realizes they have a need or problem that requires a solution.
2. **Information Search:** The consumer seeks out information about potential solutions, both online and offline.
3. **Evaluation of Alternatives:** The consumer compares different products or services to determine the best fit for their needs.
4. **Purchase Decision:** The consumer selects a product and makes the purchase.
5. **Post-Purchase Behavior:** The consumer reflects on their purchase decision, which can lead to satisfaction or dissatisfaction, influencing future behavior.

5. Emotional and Rational Aspects

Consumer behavior is influenced by both emotional and rational factors. While some purchases are made based on logical analysis, others are driven by emotions, such as pleasure, fear, pride, or love.

- **Rational Purchases:** These are typically high-involvement decisions where consumers carefully weigh the pros and cons, such as buying a house or choosing an insurance plan.
- **Emotional Purchases:** These are often impulsive or driven by how a product makes the consumer feel, such as buying luxury goods, fashion items, or experiential products like travel.

6. Cultural Influence

Culture plays a significant role in shaping consumer behavior. It encompasses the values, beliefs, customs, and practices shared by a group of people, which in turn influence their

SREENIVASA INSTITUTE OF TECHNOLOGY AND MANAGEMENT
STUDIES::CHITTOOR
DEPARTMENT OF MANAGEMENT STUDIES
II MBA III Semester – Elective - II
Consumer Behaviour

consumption patterns. Different cultures may prioritize different types of products, brands, or purchasing behaviors.

1.1.6 Factors influencing Consumer behavior

Consumer behavior is influenced by

1. Personal factors (age, income, lifestyle, personality),
2. Psychological factors (motivation, perception, learning, beliefs, attitudes), and
3. Social factors (culture, social class, family, reference groups).

These factors interact to shape an individual's preferences, purchase decisions, and consumption patterns.

1. Personal Factors

These are individual characteristics unique to each person.

- **Age and Life Stage:** Consumer needs and preferences change as they age, influencing their purchases.
- **Occupation:** A person's job influences the products and services they need.
- **Economic Situation:** Income levels, savings, and credit influence purchasing power.
- **Lifestyle:** A consumer's interests, activities, opinions, and values (e.g., a healthy lifestyle) guide their choices.
- **Personality and Self-Concept:** Individual traits and how consumers see themselves affect brand loyalty and product choices.

2. Psychological Factors

These relate to the internal workings of the mind.

- **Motivation:**
The internal drive or desire that prompts a consumer to take action.
- **Perception:**

SREENIVASA INSTITUTE OF TECHNOLOGY AND MANAGEMENT
STUDIES::CHITTOOR
DEPARTMENT OF MANAGEMENT STUDIES
II MBA III Semester – Elective - II
Consumer Behaviour

The way a consumer interprets and makes sense of information about a product or brand.

➤ **Learning:**

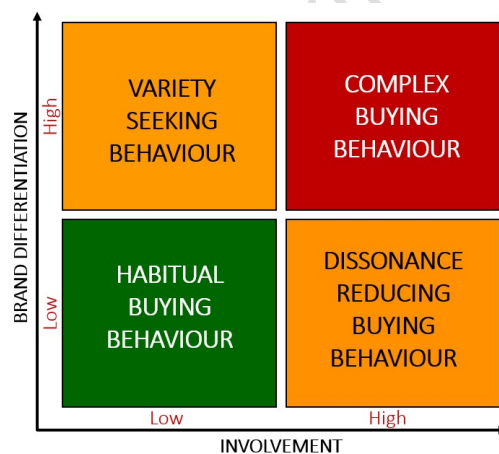
The acquisition of new knowledge or attitudes about a product through experience, observation, or communication.

➤ **Beliefs and Attitudes:**

Consumers' thoughts and evaluations about products, services, or brands, which influence their buying behavior.

1.1.7 Types of Consumer Behaviour

The main types of consumer behavior are categorized by consumer involvement and differences between brands, including



1. Complex Buying Behavior (high involvement, significant brand differences),
2. Dissonance-Reducing Behavior (high involvement, but similar brands),
3. Habitual Buying Behavior (low involvement, automatic purchase of familiar brands), and
4. Variety-Seeking Behavior (low involvement, but switching brands for novelty, like trying different snack brands).

Understanding these behaviors helps businesses develop effective marketing strategies.

SREENIVASA INSTITUTE OF TECHNOLOGY AND MANAGEMENT
STUDIES::CHITTOOR
DEPARTMENT OF MANAGEMENT STUDIES
II MBA III Semester – Elective - II
Consumer Behaviour

1. Complex Buying Behavior

Characteristics: High consumer involvement, significant perceived differences between brands, and often expensive, infrequent, or risky purchases.

Process: Consumers conduct extensive research and gather information before making a purchase.

Example: Buying a car, a house, or a high-end camera.

2. Dissonance-Reducing Behavior

Characteristics: High consumer involvement, but with few significant differences perceived between brands.

Process: Consumers might buy a product quickly because options are limited, then experience post-purchase discomfort (dissonance).

Example: Purchasing a product from a limited selection of brands for a common item, like choosing a specific model of a generally similar computer.

3. Habitual Buying Behavior

Characteristics: Low consumer involvement and little difference between brands.

Process: Consumers make automatic, thoughtless purchases, often based on familiarity with a specific brand.

Example: Picking up your usual brand of milk, salt, or a regular pack of chewing gum at the grocery store.

4. Variety-Seeking Behavior

Characteristics: Low consumer involvement, but a desire to try new things.

Process: Consumers switch brands not because they are dissatisfied, but simply to experience variety or novelty.

Example: A consumer buying a different brand of shampoo not because the previous one was bad, but because they wanted a change.

Understanding these distinct behaviors allows businesses to design targeted marketing campaigns, develop innovative products, and build stronger customer relationships.

1.1.8 Scope of consumer behavior

A. Demand Forecasting

SREENIVASA INSTITUTE OF TECHNOLOGY AND MANAGEMENT
STUDIES::CHITTOOR
DEPARTMENT OF MANAGEMENT STUDIES
II MBA III Semester – Elective - II
Consumer Behaviour

- B. Selecting The Target Market
- C. Market Mix
- D. Assists In Designing Product Portfolio
- E. Marketing Management
- F. Non-profit and Social Marketing
- G. Government Decision Making
- H. Demarketing
- I. Consumer Education

A) Demand Forecasting

Consumer behavior can be used to forecast business demand. By understanding customer behavior, businesses can identify their needs and wants. This allows them to discover their unfulfilled needs and demands.

A business can design products that meet customer needs if they understand what they need. By analyzing their behavior, they will be able to forecast demand for products.

Identifying their market opportunities will be easier. Forecasting demand for products requires an understanding of consumer behavior. Furthermore, it can help the company identify the market opportunity available to them.

B) Selecting the Target Market

Understanding consumer behavior can help identify target customers. A study of customer behavior identifies all customer segments with unique and distinct needs.

The study can help segment the total market into various groups. In order to better serve customers, businesses should group customers and identify their needs.

This will allow the business to design their products better in accordance with the needs and wants of their customers. Businesses will be able to see who their target customers are and what they want.

C) Market Mix

Every business needs to design an accurate mix of factors such as product, price, location, and promotion. Customers can use it to find out what they dislike and what they don't get.

SREENIVASA INSTITUTE OF TECHNOLOGY AND MANAGEMENT
STUDIES::CHITTOOR
DEPARTMENT OF MANAGEMENT STUDIES
II MBA III Semester – Elective - II
Consumer Behaviour

The purpose of this is to help marketers design an optimum marketing mix to improve the effectiveness of their marketing strategies. By creating the proper marketing mix, marketers can attract more and more customers, leading to increased profits.

D) Assists In Designing Product Portfolio

A business's product portfolio is one of its most challenging components. Each business should design a portfolio that includes all classes of products.

Consumer behavior helps identify the type of product and the requirements of individuals. It is therefore possible to design products according to people's needs and include them in the product portfolio of a company.

By developing an optimum product portfolio, businesses can serve their customers better and design the best product portfolio.

E) Marketing Management

Marketing plays a crucial role in the successful operation of every business. The business will be able to formulate effective marketing strategies with a better understanding of customer needs, problems, and expectations.

It is possible for a company to attract more and more customers if it is able to do marketing effectively. Businesses can gain better insight into their customers if they are able to understand their behavior. Businesses will be able to conduct their marketing more effectively as a result.

Managers who are effective understand the importance of marketing for their firm's success. The success of any marketing program depends on an understanding of consumer behavior.

The Marketing concept serves as a cornerstone of many marketing managers' philosophy of business. The Marketing concept involves three interrelated orientations: the needs and wants of consumers, company integration, and brand positioning.

F) Non-profit and Social Marketing

It is not uncommon for even non-profit organizations such as government agencies, churches, universities, and charitable organizations to market their products and services to the target audience of consumers or institutions.

SREENIVASA INSTITUTE OF TECHNOLOGY AND MANAGEMENT
STUDIES::CHITTOOR
DEPARTMENT OF MANAGEMENT STUDIES
II MBA III Semester – Elective - II
Consumer Behaviour

These groups are sometimes required to appeal to the public for public support of particular causes or ideas. These groups also work towards eradicating the social problems in society. In order to be successful, it is important to understand consumer behavior and decision-making processes.

G) Government Decision Making

The relevance of consumer behavior principles to government decision making has increased in recent years. The two main spheres of activity affected include:

- **Government services:** Government provision of public services can benefit significantly from an understanding of their consumers, or users.
- **Consumer protection:** There are many agencies at all levels of government involved with regulating business practices for the purpose of protecting the welfare of consumers.

H) Demarketing

Consumers have increasingly come to understand that some natural resources, such as gas and water, are becoming scarce. Promotions have emphasized conservation over consumption in response to this scarcity.

Consumers have also been encouraged to decrease or stop using particular goods that are believed to have harmful effects in some situations. Drug abuse, gambling, and other types of conception can be reduced by such programs.

Government agencies, non-profit organizations, and other private groups have taken these actions. “Demarketing” is an effort to encourage consumers to use less of a particular product or service.

I) Consumer Education

Directly benefitting from an investigation of their own behavior is the consumer as well. This can take place on an individual basis or as part of a more formal education program.

SREENIVASA INSTITUTE OF TECHNOLOGY AND MANAGEMENT
STUDIES::CHITTOOR
DEPARTMENT OF MANAGEMENT STUDIES
II MBA III Semester – Elective - II
Consumer Behaviour

Consumers may be more willing to plan an effort to save money if they learn that a large percentage of the billions spent annually on grocery products is spent on impulse purchases rather than according to a pre-planned shopping list.

Marketers have the ability to influence consumers' purchases, so consumers can comprehend how their behavior impacts their own.

Marketers can identify how customers spend on their buying decisions by studying consumer behavior. Marketers can easily help their customers improve their buying decisions by understanding their behaviour.

1.1.9 Importance of consumer behavior

The importance of consumer behavior can be summarized in the following key points:

1. **Understanding Consumer Needs:** Consumer behavior research provides valuable insights into the needs, desires, and motivations of the target audience, enabling businesses to create products and services that cater to consumer demands effectively.
2. **Effective Marketing Strategies:** By studying consumer behavior, businesses can identify the most efficient marketing techniques and channels to reach their target audience. This knowledge helps in developing targeted advertising campaigns, pricing strategies, and promotional activities that resonate with consumers and drive sales.
3. **Identifying Market Opportunities:** Consumer behavior research allows companies to detect emerging trends, evolving preferences, and untapped market needs. This insight helps in spotting new opportunities for products or services, improving existing offerings, and maintaining a competitive edge in the market.
4. **Enhancing Customer Experience:** Understanding consumer behavior enables businesses to align strategies to implement effective customer insight strategies across the organization. By customizing product offerings, marketing campaigns, and customer experiences based on identified customer preferences, businesses can enhance customer satisfaction and loyalty.

SREENIVASA INSTITUTE OF TECHNOLOGY AND MANAGEMENT
STUDIES::CHITTOOR
DEPARTMENT OF MANAGEMENT STUDIES
II MBA III Semester – Elective - II
Consumer Behaviour

5. **Applying Insights and Continuous Improvement:** It is essential to utilize acquired insights to guide decision-making and strategy development. Continuously gathering and analyzing data, refining customer insight strategies, and staying aligned with changing market dynamics are crucial aspects of leveraging consumer behavior effectively.
6. **Ethical Considerations:** Businesses must ensure that data collection and analysis processes adhere to ethical standards to maintain consumer trust and confidence.

1.1.10 Consumer decision making process

Consumer decision making process consists of a series of steps which a consumer undergoes. Consumer decision making process generally involves five steps –

1. Problem recognition,
2. Information search,
3. Evaluation of alternatives,
4. Purchase, and
5. Post purchase evaluation.



1. Problem or Need Recognition

An individual recognise problem through information processing arising as a result of internal and external stimuli. After problem recognition the action to solve the problem depends on the magnitude of discrepancy between the current state and desired state and

SREENIVASA INSTITUTE OF TECHNOLOGY AND MANAGEMENT
STUDIES::CHITTOOR
DEPARTMENT OF MANAGEMENT STUDIES
II MBA III Semester – Elective - II
Consumer Behaviour

the importance of the problem for the concerned consumer. If the problem is highly important for an individual and there is high discrepancy between current state and desired state of the individual, he will start the purchase process.

2. Information Search

Information search is done to know about product or service, price, place and so on. In the process of decision making, the consumer engages in both internal and external information search. Internal information search involves the buyer identifying alternatives from his memory. Internal information search is sufficient for low involvement products or services. For high involvement product or service, buyers are more likely to do external information search. The amount of efforts a buyer put in information search depends on various factors like market, competition, difference in brands, product characteristics, product importance, and so on.

3. Alternatives Evaluation

At this step the buyer identifies and evaluates different alternatives to choose from. It is not possible to examine all the available alternatives. So, buyer develops evaluative criteria to narrow down the choices. Evaluative criteria are certain characteristics that are important to buyer such as price of the product, size, colour, features, durability, etc. Some of these characteristics are more important than others. To narrow down the choices the buyer considers only the most important characteristics.

4. Purchase Decision

The earlier mentioned evaluation step helps the consumer in arriving at a purchase intention. In the decision evaluation stage, the consumer forms preferences among the brands in the choice set. The consumer may also form a purchase intention and lean towards buying the most preferred brand. However factors can intervene between the purchase intention and the purchase decision. A buyer who decides to execute a purchase intention will be making up to five purchase decisions brand decision, vendor decision, quantity decision, timing decision and payment-method decision.

5. Post-purchase Use and Evaluation

SREENIVASA INSTITUTE OF TECHNOLOGY AND MANAGEMENT
STUDIES::CHITTOOR
DEPARTMENT OF MANAGEMENT STUDIES
II MBA III Semester – Elective - II
Consumer Behaviour

Once the buyer makes a decision to purchase a product or service there can be several types of additional behaviour associated with that decision such as decisions on product uses and decision on services related to the product purchased. The level of satisfaction experienced by the buyer after his purchase will depend on the relationship between his expectations about the product and performance of the product. If the buyer is satisfied then he will exhibit a higher probability of repeat purchase of the product or service. The satisfied buyer will also tend to say good words about the product or service. Whereas a highly dissatisfied buyer will not buy the product or service again and spread negative words about service and company.

II- Understanding consumers and market segments

Understanding consumer behavior and using market segmentation is crucial because it helps businesses identify, understand, and cater to the specific needs and preferences of diverse customer groups, leading to more effective marketing, tailored products, higher customer satisfaction, and increased profitability. By dividing the broad market into smaller, more homogenous segments based on demographics, psychographics, behavior, and geography, companies can develop targeted strategies, craft resonant messages, and foster stronger customer relationships.

2.1 Understanding Consumers

Consumer behavior is the study of how and why individuals make purchasing decisions, looking at what they buy, when, how, where, and how much. This involves examining:

1. **Individual motivations:** What influences their choices and feelings about different brands and products.
2. **Purchasing process:** The steps consumers take from research to purchase.
3. **External influences:** The role of family, friends, media, and culture in shaping choices.

Market Segmentation

Market segmentation is the strategic process of dividing a broad consumer market into smaller, more manageable groups (segments) with shared characteristics, needs, or behaviors.

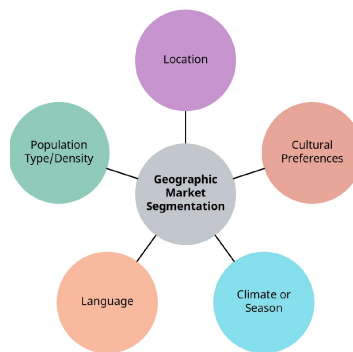
SREENIVASA INSTITUTE OF TECHNOLOGY AND MANAGEMENT
STUDIES::CHITTOOR
DEPARTMENT OF MANAGEMENT STUDIES
II MBA III Semester – Elective - II
Consumer Behaviour

- **Purpose:** To enable businesses to target specific groups more effectively and tailor products, services, and marketing efforts to their unique needs.

Methods of Segmenting Consumer Markets

There are several different types of marketing segments you can create. We'll focus on four major types:

1. Geographic segmentation: the “where”
2. Demographic segmentation: the “who”
3. Behavioral segmentation: the “how”
4. Psychographic segmentation: the “why”



Geographic Segmentation: The “Where”

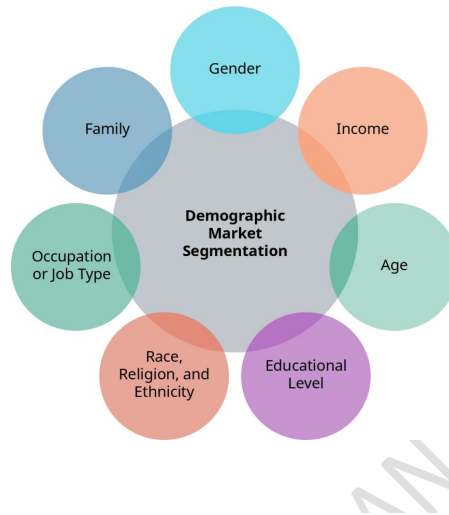
geographic segmentation is dividing the market based on where your customers or potential customers live. There are several geographic parameters a marketer can use to focus their marketing efforts, including location, cultural preferences, climate, language, and population type and density.

Demographic Segmentation: The “Who”

With **demographic segmentation**, the marketer will divide the market into smaller groups, generally on the basis of common demographic factors such as gender, income, age, educational level, race, religion, ethnicity, occupation or job type, and even family structure. These smaller

SREENIVASA INSTITUTE OF TECHNOLOGY AND MANAGEMENT
STUDIES::CHITTOOR
DEPARTMENT OF MANAGEMENT STUDIES
II MBA III Semester – Elective - II
Consumer Behaviour

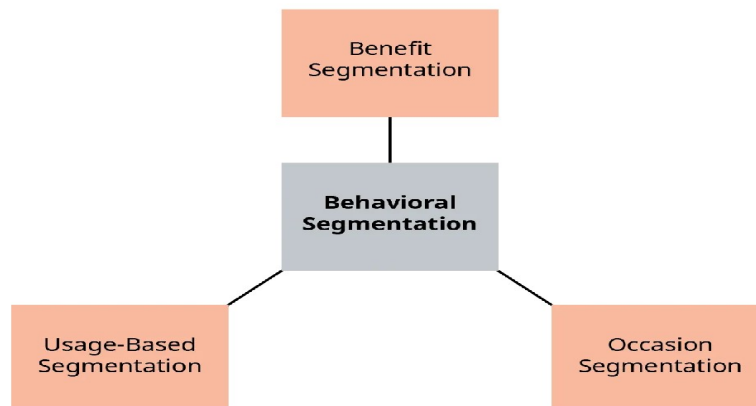
segments enable marketers to focus their efforts and resources on those customers who will likely result in revenue for the company.



Behavioral Segmentation: The “How”

Behavioral segmentation divides consumers into market segments depending on their behavior patterns when interacting with a product or service.

Benefit segmentation: The benefit segmentation focuses on which benefits or features of a product or service are most applicable to the customer.



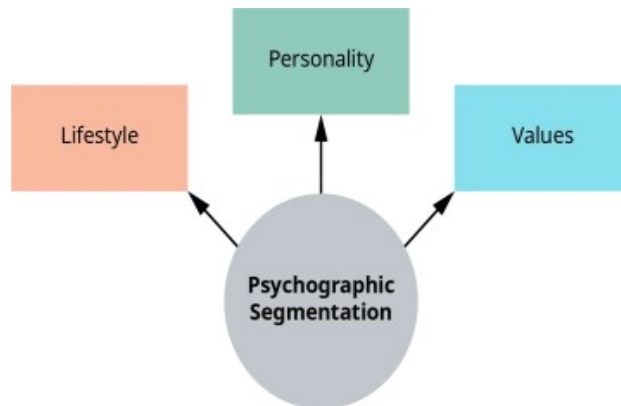
Occasion segmentation: Occasion segmentation divides consumers (or potential consumers) on the basis of the occasions when they make purchases or plan to buy. Occasion marketing is huge because marketers know that consumers will be purchasing certain items on certain occasions.

SREENIVASA INSTITUTE OF TECHNOLOGY AND MANAGEMENT
STUDIES::CHITTOOR
DEPARTMENT OF MANAGEMENT STUDIES
II MBA III Semester – Elective - II
Consumer Behaviour

Usage-based segmentation: Usage-based segmentation identifies various segments of users based on how much they use a product. Consumers are typically divided into groups of non-, light, medium, and heavy product users. As a general rule, companies target heavy users because, although heavy users may be a relatively small percentage of the market, they generally account for a high percentage of total buying.

Psychographic Segmentation: The “Why”

Psychographic segmentation breaks down consumer groups into segments that influence buying behaviors, such as lifestyle, personality variables, and values.



1. Lifestyle: A person’s lifestyle provides insight on what they value, or how they spend their time and money. Marketers analyze three lifestyle dimensions, commonly called AIO (activities, interests, and opinions) variables:

Activities: Activities focus on a person’s daily routine and/or hobbies.

Interests: Interests drive passions.

Opinions: Opinions matter, and especially in the age of social media, opinions spread fast. Companies monitor social media sites to gain insight about consumers’ opinions of their products or services and respond accordingly.

2. Personality: Personality Marketers can also segment a market based on personality variables to create a group of people with similar personality traits because personality and purchasing habits are strongly related.

SREENIVASA INSTITUTE OF TECHNOLOGY AND MANAGEMENT
STUDIES::CHITTOOR
DEPARTMENT OF MANAGEMENT STUDIES
II MBA III Semester – Elective - II
Consumer Behaviour

3.Values: are the principles and important things that influence the way you live and work. As one example, environmental concerns are becoming a value issue for consumers, and they are looking for products from companies that are better for the earth.

III - Consumer behavior and marketing strategy

Marketing strategies and tactics are normally based on explicit and implicit beliefs about consumer behavior. Decisions based on explicit assumptions and sound theory and research are more likely to be successful than the decisions based solely on implicit intuition.

Knowledge of consumer behavior can be an important competitive advantage while formulating marketing strategies. It can greatly reduce the odds of bad decisions and market failures. The principles of consumer behavior are useful in many areas of marketing, some of which are listed below –

1. Analyzing Market Opportunity

Consumer behavior helps in identifying the unfulfilled needs and wants of consumers. This requires scanning the trends and conditions operating in the market area, customers lifestyles, income levels and growing influences.

2. Selecting Target Market

The scanning and evaluating of market opportunities helps in identifying different consumer segments with different and exceptional wants and needs. Identifying these groups, learning how to make buying decisions enables the marketer to design products or services as per the requirements.

3. Marketing-Mix Decisions

Once the unfulfilled needs and wants are identified, the marketer has to determine the precise mix of four Ps, i.e., Product, Price, Place, and Promotion.

Product

A marketer needs to design products or services that would satisfy the unsatisfied needs or wants of consumers. Decisions taken for the product are related to size, shape, and features. The

SREENIVASA INSTITUTE OF TECHNOLOGY AND MANAGEMENT
STUDIES::CHITTOOR
DEPARTMENT OF MANAGEMENT STUDIES
II MBA III Semester – Elective - II
Consumer Behaviour

marketer also has to decide about packaging, important aspects of service, warranties, conditions, and accessories.

Price

The second important component of marketing mix is price. Marketers must decide what price to be charged for a product or service, to stay competitive in a tough market. These decisions influence the flow of returns to the company.

Place:

The next decision is related to the distribution channel, i.e., where and how to offer the products and services at the final stage. The following decisions are taken regarding the distribution mix –

Promotion:

Promotion deals with building a relationship with the consumers through the channels of marketing communication. Some of the popular promotion techniques include advertising, personal selling, sales promotion, publicity, and direct marketing and selling.

IV- Psychographic dimensions:

Psychographic dimensions like motivation, perception, and personality are key psychological factors influencing consumer behavior. Motivation refers to the inner urges driving consumers to purchase products to satisfy needs. Perception shapes how consumers interpret information and brands, affecting their choices. Personality includes stable, consistent individual characteristics that influence how consumers behave and interact with their environment and brands. Understanding these dimensions allows marketers to segment markets and create targeted campaigns that resonate deeply with consumers, leading to increased engagement and loyalty

Psychographic Dimensions in Consumer Behavior

A) Consumer Motivation:

This dimension focuses on the inner drives, desires, and wishes that prompt a consumer to seek satisfaction through a purchase.

SREENIVASA INSTITUTE OF TECHNOLOGY AND MANAGEMENT
STUDIES::CHITTOOR
DEPARTMENT OF MANAGEMENT STUDIES
II MBA III Semester – Elective - II
Consumer Behaviour

Role in Behavior: A consumer's motivation can be a powerful force, directing their purchasing decisions towards products that fulfill their needs for comfort, pride, vanity, or even fear. For example, a consumer motivated by sustainability might choose eco-friendly products, influencing their purchasing choices.

B) Perception:

Perception is the process through which consumers select, organize, and interpret information to create a meaningful picture of the world around them.

Role in Behavior: How a consumer perceives a brand's quality or value directly impacts their decision to buy it. Marketers use this to tailor messaging, product design, and even the marketing environment to influence consumer perceptions.

C) Personality:

Personality traits are unique, relatively consistent, and stable patterns of behavior that define an individual.

Role in Behavior: Consumers with different personality traits may have distinct responses to products and marketing. For example, an extroverted personality might be drawn to social products, while a more introverted person might prefer quieter, less conspicuous options.

1. Consumer motivation:

Consumer motivation is the internal force driving purchasing actions to fulfill needs, while consumer behavior encompasses the observable actions consumers take, including the process of choosing, buying, and using products or services to satisfy those motivated needs. Motivations can be intrinsic (e.g., innate biological needs) or extrinsic (e.g., social status), stemming from internal states or external influences, and are crucial for businesses to understand to create effective marketing strategies that resonate with their target audience.

Theories of Motivation in Consumer Behaviour

1. Maslow's Hierarchy of Needs

SREENIVASA INSTITUTE OF TECHNOLOGY AND MANAGEMENT
STUDIES::CHITTOOR
DEPARTMENT OF MANAGEMENT STUDIES
II MBA III Semester – Elective - II
Consumer Behaviour

One of the most well-known theories of motivation is Abraham Maslow's Hierarchy of Needs. According to Maslow, individuals are motivated by a hierarchy of needs, ranging from basic physiological needs to higher-level psychological needs. The hierarchy consists of five levels:

1. Physiological Needs

At the base of the hierarchy are physiological needs, such as food, water, shelter, and clothing. Meeting these basic needs is crucial for survival and forms the foundation of motivation.

2. Safety Needs

Once physiological needs are fulfilled, individuals seek safety and security. This includes personal safety, financial stability, and protection from harm.

3. Social Needs

The next level in the hierarchy is social needs, which involve the desire for love, belongingness, and social interaction. Consumers are motivated to seek acceptance, friendship, and meaningful relationships.

4. Esteem Needs

Esteem needs encompass the desire for recognition, status, and self-esteem. Consumers strive for achievements, respect from others, and a positive self-image.

5. Self-Actualization Needs

The highest level of Maslow's hierarchy is self-actualization. It represents the need for personal growth, self-fulfillment, and realizing one's full potential. Individuals motivated by self-actualization seek personal development and pursue activities aligned with their values and passions.

2. Expectancy Theory

Another influential theory is the Expectancy Theory, proposed by Victor Vroom. This theory suggests that individuals are motivated to act based on their beliefs about the link between effort, performance, and desired outcomes. The theory emphasizes three key elements:

1. Expectancy

SREENIVASA INSTITUTE OF TECHNOLOGY AND MANAGEMENT
STUDIES::CHITTOOR
DEPARTMENT OF MANAGEMENT STUDIES
II MBA III Semester – Elective - II
Consumer Behaviour

Expectancy refers to the belief that exerting effort will lead to successful performance. Consumers are motivated when they perceive that their actions will produce the desired results.

2. Instrumentality

Instrumentality involves the belief that successful performance will result in desired outcomes or rewards. Consumers are motivated when they believe that their efforts will lead to positive outcomes, such as discounts, incentives, or recognition.

3. Valence

Valence represents the value or attractiveness consumers attach to the expected outcomes. Motivation is high when consumers perceive the rewards as valuable and relevant to their needs and goals.

Factors Influencing Consumer Motivation

Consumer motivation is influenced by various factors that shape individuals' perceptions, preferences, and decision-making processes. Let's explore some of the key factors:

1. Needs and Wants

Consumer motivation is driven by the discrepancy between their current state (needs) and desired state (wants). When consumers identify a gap between what they have and what they desire, it creates motivation to take action and bridge that gap.

2. Personal Values and Beliefs

Consumers' personal values and beliefs significantly influence their motivation. Values are deeply ingrained principles and beliefs that guide individuals' choices and behaviors. Understanding the values and belief systems of target consumers can help businesses align their marketing messages and offerings accordingly.

3. Cultural and Social Factors

Cultural and social factors play a vital role in shaping consumer motivation. Cultural norms, societal expectations, and peer influence all impact how individuals perceive and

SREENIVASA INSTITUTE OF TECHNOLOGY AND MANAGEMENT
STUDIES::CHITTOOR
DEPARTMENT OF MANAGEMENT STUDIES
II MBA III Semester – Elective - II
Consumer Behaviour

respond to marketing stimuli. Businesses must consider these factors to effectively motivate consumers from different cultural backgrounds.

4. Emotional Appeals

Emotions play a significant role in consumer motivation. Marketers often leverage emotional appeals to tap into consumers' desires, fears, and aspirations. Emotionally engaging advertisements, storytelling, and experiential marketing can evoke strong motivation and drive consumer behavior.

5. Product Involvement

The level of consumer involvement with a product or service affects their motivation. Highly involved consumers are more motivated to seek information, evaluate alternatives, and make informed purchase decisions. Marketers can enhance motivation by creating opportunities for consumers to engage with the product and develop a sense of ownership.

2. Perception

Perception in consumer behavior is the subjective process by which individuals select, organize, and interpret information and stimuli to form a mental impression or understanding of a brand, product, or service. It's shaped by experiences, advertising, word-of-mouth, and personal factors, directly influencing purchasing decisions, brand loyalty, and overall business success.

The Perceptual Process

Consumer perception involves three stages:

1. Sensing:

This is the initial stage where individuals use their physical senses to receive stimuli from the environment (sight, sound, touch, taste, smell).

2. Organizing:

The brain organizes these sensory inputs into meaningful patterns. This is influenced by personal values, beliefs, and prior experiences.

3. Interpreting:

SREENIVASA INSTITUTE OF TECHNOLOGY AND MANAGEMENT
STUDIES::CHITTOOR
DEPARTMENT OF MANAGEMENT STUDIES
II MBA III Semester – Elective - II
Consumer Behaviour

Consumers interpret the organized information, forming their own unique opinions and understanding of the stimulus. This interpretation is subjective and can vary between individuals.

Factors Influencing Consumer Perception

- **Sensory Factors:**

The physical characteristics of a product, such as its color, size, packaging, and sound, can influence perception.

- **Marketing Stimuli:**

Advertising, product quality, price, customer service, and brand image are all marketing elements that shape perception.

- **Personal Factors:**

A consumer's individual needs, beliefs, experiences, and learned behaviors significantly influence how they interpret information.

- **Social Factors:**

Word-of-mouth from friends, reviews, and public relations efforts contribute to forming impressions about a brand.

- **Context:**

The overall environment and situation in which a product or service is encountered also plays a role in shaping perception.

Why Perception Matters

- **Purchasing Decisions:**

A positive perception can lead to sales, while a negative one can drive customers away.

- **Brand Loyalty:**

Strong, positive perceptions build trust and loyalty, fostering repeat purchases and long-term customer relationships.

- **Brand Image:**

Customer perception directly impacts a brand's image and reputation in the market, influencing its overall success.

SREENIVASA INSTITUTE OF TECHNOLOGY AND MANAGEMENT
STUDIES::CHITTOOR
DEPARTMENT OF MANAGEMENT STUDIES
II MBA III Semester – Elective - II
Consumer Behaviour

• **Word-of-Mouth:**

Satisfied customers are more likely to share positive experiences, generating valuable word-of-mouth marketing for the brand.

Understanding how consumers perceive their offerings allows businesses to tailor their products, services, and marketing efforts to create a favorable impression and achieve competitive advantage.

3. Personality

Consumer Personality

Personality consists of the inner psychological characteristics that both determine and reflect how we think and act, which together form an individual's distinctive character. Consumers often purchase products and brands because advertisers have given them "personalities" that differentiate them from competing offerings. Brand personification occurs when consumers attribute human traits or characteristics to a brand.

A "brand personality" provides an emotional identity for a brand, which produces sentiments and feelings toward it among consumers. For example, consumers often view certain brands as "exciting," sophisticated," or "warm." Brand personification is a form of anthropomorphism, which refers to attributing human characteristics to something that is not human.

Personality is a key factor influencing consumer behavior, shaping how individuals perceive, select, and interact with products and brands. From a consumer behavior perspective, personality encompasses the unique psychological characteristics that consistently influence how a person responds to their environment, including their purchasing decisions. Understanding consumer personality helps marketers tailor their strategies to align with the preferences, motivations, and behaviors of different consumer segments.

1. Definition of Personality in Consumer Behavior

Personality refers to the consistent patterns of thoughts, emotions, and behaviors that characterize an individual. In the context of consumer behavior, personality influences how

SREENIVASA INSTITUTE OF TECHNOLOGY AND MANAGEMENT
STUDIES::CHITTOOR
DEPARTMENT OF MANAGEMENT STUDIES
II MBA III Semester – Elective - II
Consumer Behaviour

consumers make decisions, interact with brands, and express their preferences. It is shaped by a combination of genetic factors, upbringing, life experiences, and social influences.

Example: A consumer with an adventurous personality may be more inclined to try new products, experiment with different brands, and seek out unique experiences, while a consumer with a more conservative personality might prefer familiar brands and products that offer reliability and consistency.

2. The Role of Personality in Consumer Behavior

Personality plays a significant role in influencing various aspects of consumer behavior, including:

- **Product Preferences:** Consumers with different personality traits tend to prefer different types of products. For example, an extroverted consumer might favor bold and vibrant products, while an introverted consumer might prefer subtle and understated options.
- **Brand Loyalty:** Personality influences the degree of loyalty a consumer feels towards a brand. Some consumers, driven by traits like conscientiousness or agreeableness, may develop strong attachments to brands that align with their values, while others with a more adventurous or open personality might enjoy exploring new brands.
- **Decision-Making Style:** Consumers' decision-making processes are often guided by their personality traits. For instance, a person with a high level of openness to experience might be more willing to take risks and try innovative products, whereas a person with high conscientiousness might make more deliberate and careful purchasing decisions.
- **Shopping Behavior:** Personality influences how consumers approach shopping. Some may find shopping to be a social and enjoyable activity, while others might view it as a necessary task to be completed as efficiently as possible.

3. Major Personality Traits Affecting Consumer Behavior

Several personality traits are particularly influential in shaping consumer behavior. These traits are often studied using models like the Big Five personality traits, which include:

SREENIVASA INSTITUTE OF TECHNOLOGY AND MANAGEMENT
STUDIES::CHITTOOR
DEPARTMENT OF MANAGEMENT STUDIES
II MBA III Semester – Elective - II
Consumer Behaviour

- **Openness to Experience:** Consumers high in openness are curious, imaginative, and open to new experiences. They are likely to be early adopters of new products and are attracted to brands that offer innovative and unique experiences.
- **Example:** A consumer with high openness might be the first to try a new tech gadget or explore an exotic travel destination promoted by a travel agency.
- **Conscientiousness:** Conscientious consumers are organized, responsible, and mindful of their actions. They tend to prefer products and brands that are reliable, trustworthy, and offer long-term value.
- **Example:** A conscientious consumer might favor brands known for their quality and durability, such as purchasing a car with a strong reputation for safety and longevity.
- **Extraversion:** Extroverted consumers are outgoing, sociable, and energized by interactions with others. They often seek products and brands that enhance their social presence and provide opportunities for social engagement.
- **Example:** An extroverted consumer might be drawn to fashion brands that are trendy and expressive, or to social events promoted by a popular beverage brand.
- **Agreeableness:** Agreeable consumers are compassionate, cooperative, and value harmony in relationships. They are likely to support brands that emphasize social responsibility, ethical practices, and positive community impact.
- **Example:** An agreeable consumer might prefer to shop at companies that donate a portion of their profits to charitable causes or that promote fair trade products.
- **Neuroticism:** Consumers with high levels of neuroticism may experience emotions like anxiety, insecurity, and stress more intensely. They may be more cautious in their purchasing decisions and prefer products that offer comfort, security, or stress relief.
- **Example:** A neurotic consumer might be more likely to purchase products that promise relaxation or stress reduction, such as herbal teas or wellness products.

4. The Influence of Personality on Brand Perception

Personality not only affects how consumers choose products but also how they perceive brands. Consumers often gravitate towards brands that reflect their own personality traits, a concept

SREENIVASA INSTITUTE OF TECHNOLOGY AND MANAGEMENT
STUDIES::CHITTOOR
DEPARTMENT OF MANAGEMENT STUDIES
II MBA III Semester – Elective - II
Consumer Behaviour

known as brand personality. Brand personality is the human characteristics associated with a brand, such as being sophisticated, rugged, or playful.

- **Brand-Consumer Alignment:** When a brand's personality aligns with a consumer's personality traits, it can lead to stronger brand loyalty and a deeper emotional connection. For example, a consumer who values adventure and excitement might feel a strong connection to a brand that markets itself as daring and innovative.
- **Example:** A rugged and outdoorsy consumer might feel a strong affinity with a brand like Patagonia, which emphasizes adventure, environmental responsibility, and outdoor lifestyles.

5. Personality and Consumer Segmentation

Marketers often use personality traits to segment consumers into distinct groups, allowing them to tailor their marketing strategies more effectively. By understanding the personality profiles of their target audience, companies can create messaging, product designs, and experiences that resonate with specific consumer segments.

- **Example:** A luxury brand might target consumers with traits like openness and extraversion by emphasizing exclusivity, innovation, and social status in its marketing campaigns.

6. Challenges in Applying Personality to Consumer Behavior

While personality is a powerful influence on consumer behavior, it is not the sole factor. Other elements, such as cultural influences, social environment, and situational factors, also play crucial roles. Additionally, personality traits can be challenging to measure accurately, and consumers may not always behave consistently across different contexts.

Example: A consumer who is typically cautious (high in conscientiousness) might make an impulsive purchase in a situation where they feel emotionally driven, such as during a limited-time sale.

Personality is a key determinant of consumer behavior, influencing everything from product preferences to brand loyalty and shopping habits. By understanding the personality traits of their target audience, marketers can better align their products, branding, and marketing

SREENIVASA INSTITUTE OF TECHNOLOGY AND MANAGEMENT
STUDIES::CHITTOOR
DEPARTMENT OF MANAGEMENT STUDIES
II MBA III Semester – Elective - II
Consumer Behaviour

strategies with consumer preferences, leading to stronger customer relationships and increased brand loyalty. However, it is important to consider personality within the broader context of other influencing factors to fully understand and predict consumer behavior.

Information processing is a fundamental concept in understanding consumer behavior. It refers to the cognitive processes through which individuals acquire, organize, and evaluate information about products, services, and brands. In this blog, we'll explore the concept of information processing, its stages, and its implications for businesses aiming to connect with consumers effectively.

Information Processing

Information processing in consumer behavior involves how individuals receive, interpret, store, and use information to make decisions related to their purchases and consumption.

Stages of Information Processing

Information processing can be broken down into several stages:

1. **Exposure:** Consumers are exposed to various stimuli, such as advertisements, product displays, or recommendations.
2. **Attention:** They selectively focus on specific stimuli, filtering out irrelevant information.
3. **Comprehension:** Consumers interpret and understand the information they've attended to.
4. **Acceptance/Yielding:** Depending on their comprehension, they may accept or reject the information presented.
5. **Retention:** Consumers store the accepted information for future use.
6. **The Imaginal Processing:** This stage involves mental visualization and imagination, often employed when considering hypothetical scenarios.

SREENIVASA INSTITUTE OF TECHNOLOGY AND MANAGEMENT
STUDIES::CHITTOOR
DEPARTMENT OF MANAGEMENT STUDIES
II MBA III Semester – Elective - II
Consumer Behaviour

The Significance of Information Processing

1. Informed Decision-Making

Effective information processing enables consumers to make informed decisions based on their understanding of product features, benefits, and value.

2. Selective Attention

Consumers' selective attention means they prioritize certain information. Businesses must ensure their messages capture consumers' attention.

3. Perceived Value

Information processing shapes consumers' perception of the value offered by a product or service, influencing their willingness to pay.

4. Brand Image and Loyalty

The way consumers' process information about a brand influences their perception and loyalty. Consistent positive experiences lead to brand loyalty.

Marketing Implications

1. Clear and Concise Messaging

Businesses should communicate their offerings in a clear and concise manner, focusing on key benefits and value propositions.

2. Effective Storytelling

Storytelling can engage consumers' imaginations and facilitate information processing. It allows consumers to visualize the benefits of a product or service.

3. Visual and Aesthetic Appeal

Visual elements and aesthetics play a vital role in capturing attention and enhancing information processing.

4. Repetition and Consistency

Repetition of key messages and maintaining consistency across marketing channels reinforces information processing and brand recall.

Attitude formation and Attitude change

SREENIVASA INSTITUTE OF TECHNOLOGY AND MANAGEMENT
STUDIES::CHITTOOR
DEPARTMENT OF MANAGEMENT STUDIES
II MBA III Semester – Elective - II
Consumer Behaviour

Consumer attitudes are a crucial aspect of consumer behavior, combining beliefs, feelings, and intentions toward products or brands. These attitudes shape perceptions and influence purchasing decisions. Marketers must understand how attitudes form and change to effectively target and persuade consumers. Key concepts include attitude components, formation, and change processes. Factors influencing attitudes range from personal experiences to cultural norms. Various models and theories explain attitude formation and change, while real-world examples demonstrate how brands successfully shape consumer attitudes through marketing campaigns.

Introduction

- Consumer attitudes are a combination of beliefs, feelings, and behavioral intentions toward a product, service, brand, or company
- Attitudes shape consumer perceptions and influence their decision-making process when considering purchases
- Understanding how attitudes form and change is crucial for marketers to effectively target and persuade consumers
- Attitudes are learned predispositions to respond consistently favorably or unfavorably to a given object or class of objects
- Consumer attitudes are dynamic and can be influenced by various factors such as personal experiences, social influences, and marketing communications
- Attitudes serve as a basis for consumer segmentation and targeting strategies in marketing
- Marketers aim to create, maintain, or change consumer attitudes to drive desired behaviors and outcomes

Key Concepts

- Attitude components: cognitive (beliefs), affective (feelings), and conative (behavioral intentions)
- Attitude formation: how attitudes develop through learning, experience, and exposure to stimuli

- Attitude change: the process of modifying existing attitudes through persuasion, cognitive dissonance, or other mechanisms
- Attitude-behavior consistency: the degree to which attitudes align with actual consumer behaviors
- Attitude accessibility: the ease with which an attitude can be retrieved from memory
- Attitude strength: the intensity and durability of an attitude, influencing its resistance to change
- Attitude functions: the psychological needs served by attitudes (utilitarian, value-expressive, ego-defensive, knowledge)
- Cognitive dissonance: the mental discomfort experienced when attitudes and behaviors are inconsistent

How Attitudes Form

- Attitudes can form through direct experience with a product or service, shaping beliefs and feelings based on personal interactions
- Observational learning contributes to attitude formation as consumers observe and imitate the attitudes and behaviors of others
- Social influences, such as family, friends, and reference groups, play a significant role in shaping consumer attitudes through shared experiences and opinions
- Marketing communications, including advertising, public relations, and social media, can create or modify attitudes by presenting persuasive messages and imagery
- Attitudes can develop through classical conditioning, where a positive or negative stimulus is repeatedly paired with a product or brand, leading to an associated attitude
- Operant conditioning can shape attitudes through reinforcement, where positive experiences or rewards associated with a product or brand strengthen favorable attitudes
- Mere exposure effect suggests that repeated exposure to a stimulus, even without conscious awareness, can lead to more positive attitudes

Factors Influencing Attitudes

- Personal factors, such as age, gender, personality traits, and values, can influence the formation and strength of consumer attitudes
- Cultural background and social norms shape attitudes by providing a framework for interpreting and responding to stimuli
- Involvement level, or the perceived relevance and importance of a product or issue to a consumer, affects the depth and stability of attitudes
- Perceived risk associated with a purchase decision can impact attitudes, with higher risk leading to more cautious and skeptical attitudes
- Attitude accessibility, or the ease with which an attitude can be retrieved from memory, influences its impact on behavior
- Attitude ambivalence, or holding both positive and negative evaluations simultaneously, can lead to less predictable consumer behaviors
- Source credibility and attractiveness of the communicator can enhance the persuasiveness of marketing messages and influence attitudes

Changing Consumer Attitudes

- Cognitive dissonance can be leveraged to change attitudes by creating inconsistency between existing attitudes and new information or experiences
- Persuasive communication techniques, such as using strong arguments, emotional appeals, or celebrity endorsements, can modify attitudes
- Providing new information or correcting misperceptions can lead to attitude change by updating the cognitive component of attitudes
- Inducing positive affect or emotions associated with a product or brand can shift attitudes in a favorable direction
- Encouraging direct experience or trial of a product can lead to attitude change based on personal evaluation
- Social proof, or the influence of others' attitudes and behaviors, can create pressure to conform and modify attitudes

- Addressing counter-arguments and objections proactively can help overcome resistance to attitude change

Models and Theories

- Elaboration Likelihood Model (ELM) proposes two routes to attitude change: central (high elaboration) and peripheral (low elaboration)
- Heuristic-Systematic Model (HSM) suggests that attitudes can be formed through systematic processing of information or heuristic cues
- Fishbein's Multi-Attribute Attitude Model posits that attitudes are a function of beliefs about attributes and the evaluation of those attributes
- Balance Theory explains attitude change as a result of a desire for cognitive consistency among related attitudes
- Social Judgment Theory emphasizes the role of an individual's latitude of acceptance, rejection, and non-commitment in attitude change
- Cognitive Dissonance Theory proposes that inconsistency between attitudes and behaviors leads to dissonance and motivation to change

Real-World Examples

- Apple's "Think Different" campaign successfully created a strong brand attitude by associating Apple with creativity, innovation, and individuality
- Dove's "Real Beauty" campaign challenged traditional beauty standards and promoted positive attitudes toward body image and self-esteem
- Volkswagen's "Lemon" ad in the 1960s used humor and honesty to change attitudes toward the reliability of the Beetle car
- Nike's "Just Do It" slogan and associated marketing campaigns have reinforced attitudes of determination, athleticism, and personal achievement
- Coca-Cola's "Share a Coke" campaign personalized the product and encouraged positive attitudes through social connection and sharing
- Patagonia's environmental activism and "Don't Buy This Jacket" ad appealed to consumers' values and shaped attitudes toward sustainable consumption

SREENIVASA INSTITUTE OF TECHNOLOGY AND MANAGEMENT
STUDIES::CHITTOOR
DEPARTMENT OF MANAGEMENT STUDIES
II MBA III Semester – Elective - II
Consumer Behaviour

Importance to Marketers

- Understanding consumer attitudes enables marketers to segment and target audiences more effectively based on shared beliefs and preferences
- Attitudes influence consumer decision-making and purchase behaviors, making attitude management a key objective for marketers
- Positive brand attitudes can lead to increased brand loyalty, advocacy, and customer lifetime value
- Monitoring and measuring consumer attitudes helps marketers assess the effectiveness of their marketing strategies and make data-driven decisions
- Identifying and addressing negative attitudes or misconceptions can help protect brand reputation and maintain customer relationships
- Aligning marketing communications with consumer attitudes and values can enhance message relevance and resonance
- Leveraging attitude change strategies can help marketers overcome barriers to adoption and encourage trial of new products or services

SREENIVASA INSTITUTE OF TECHNOLOGY AND MANAGEMENT
STUDIES::CHITTOOR
DEPARTMENT OF MANAGEMENT STUDIES
II MBA III Semester – Elective - II
Consumer Behaviour

UNIT- II

Syllabi: UNIT - 2 **Social and Cultural Environments**

Economic, Demographic, Cross Cultural and socio-cultural influences, Social Stratification, Reference Groups and family influences, personal influence.

2.0 – Introduction

Environmental determinants of consumer behavior are external factors beyond the individual that influence purchasing decisions, including cultural and subcultural influences (shared values, customs), social influences (family, reference groups, social class), and aspects of the physical environment like store layout, weather, and product availability. These factors shape a consumer's needs, preferences, and overall shopping habits, often by shaping perceptions and providing social norms.

2.1 Cultural and Social Factors in Consumer Behaviour

The Various Cultural and Social Factors that affect the decision making process for a consumer are:

- Culture
- Sub-culture
- Social Class
- Reference Group
- Opinion Leaders
- Family

SREENIVASA INSTITUTE OF TECHNOLOGY AND MANAGEMENT
STUDIES::CHITTOOR
DEPARTMENT OF MANAGEMENT STUDIES
II MBA III Semester – Elective - II
Consumer Behaviour

(1) Culture refers to the way of living of a group of people. It includes knowledge, belief, traditions, morals, values, customs and other such habits that are acquired by humans as members of a group. These habits have been passed to members of a society from generations to generations and influence the thinking pattern, consumption and living pattern and decision making of individuals.

It forms a boundary within which a person can think and act.

Culture may be divided into two distinct components –

- Internal/Mental Culture – Ideas, knowledge, beliefs, values, norms etc.
- External/Material Culture – Tangible products and services that bring cultural change e.g. books, movies, clothing etc.

(2) Sub- Culture refers to a group of people within a large culture with unique behaviour and beliefs. Essentially a culture can be divided into several heterogeneous groups or segments which are homogeneous within called sub- culture. A culture may be segmented into subcultures on the basis of demographic characteristics, geographic regions, political beliefs, ethnic background etc.

(3) Social class refers to divisions of members of a society on the basis of education, occupation, income etc. Every individual holds a social position in the society according to which he behaves. In India, the social hierarchy consists of three classes the Upper class or High class, Middle Class and Lower class on the basis income and buying characteristics.

The behaviour of each social class is unique and the members of a social class share similar lifestyle, opinions, interest and usually involve in similar activities. The buying behaviour of people is strongly influenced by the social class to which they belong. Therefore it is important for marketers to relate a product to the social status of a group and position products and services targeting distinct income groups and social classes.

While studying the cultural and social factors affecting an individual it is important to understand group influences on behaviour and buying pattern of an individual.

SREENIVASA INSTITUTE OF TECHNOLOGY AND MANAGEMENT
STUDIES::CHITTOOR
DEPARTMENT OF MANAGEMENT STUDIES
II MBA III Semester – Elective - II
Consumer Behaviour

A group refers to a collection of two or more individuals who share common norms, values, beliefs or interests.

(4) A **Reference Group** refers to a group of people that serve as a point of reference or comparison for a person, while making a purchase decision. A Reference group influences the behaviour of an individual by imparting information, building aspirations for the individual or by conformity pressures. Conformity pressures refer to the pressure on a person to comply with the norms and standards of the group.

(5) Usually marketers focus on key individuals in a group who influence their group called **Opinion Leaders**. Opinion leaders are innovators or early buyers having high credibility in a group, who influence the group by transmitting relevant product and service information to the members of a group.

An Opinion leader seeks relevant information from various mass media, makes early purchases and helps a person choose the best product, best brand and the best store to buy on the basis of his experience.

(6) A **family** is an important element that affects the consumption and disposal of products by an individual. A family may be defined as two or more people living together, related by blood or marriage who share a common house, common income and similar status and values. Family influence on consumer behaviour can be understood by studying the buying roles, family dynamics and life cycle stage of a family member.

It is important for a marketer to know the family structure, family compositions, buying patterns, Buying roles and motives of family members, life cycle stages etc. in order to efficiently market a product.

The cultural and social factors along with various other personal and economics factors influence a consumer's decision making process due to which all consumer exhibit a unique buying behaviour in the marketplace.

2.3 Economic Factors Influencing Consumer Behavior

SREENIVASA INSTITUTE OF TECHNOLOGY AND MANAGEMENT
STUDIES::CHITTOOR
DEPARTMENT OF MANAGEMENT STUDIES
II MBA III Semester – Elective - II
Consumer Behaviour

Definition: The **Economic Factors** are the factors that talk about the level of sales in the market and the financial position of the consumer, i.e. how much an individual spends on the purchase of goods and services that contribute to the overall sales of the company.

The following are the main economic factors that greatly influence the consumer buying behavior:



1. **Personal Income:** The personal income of an individual influences his buying behavior as it determines the level to which the amount is spent on the purchase of goods and services. The consumer has two types of personal incomes disposable income and discretionary income.
The disposable personal income is the income left in hand after all the taxes, and other necessary payments have been made. The more the disposable personal income in hand the more is the expenditure on various items and vice-versa.
The discretionary personal income is the income left after meeting all the basic necessities of life and is used for the purchase of the shopping goods, luxuries, durable goods, etc. An increase in the discretionary income results in more expenditure on the shopping goods through which the standard of living of an individual gets improved.
2. **Family Income:** The family income refers to the aggregate of the sum of the income of all the family members. The total family income also influences the buying behaviors of its members. The income remaining after meeting all the basic necessities of life can be used for the purchase of shopping goods, luxury items, durable goods, etc.
3. **Income Expectations:** An Individual's expectation with respect to his income level in the future influences his buying behavior today. Such as, if a person expects his income to increase in the

SREENIVASA INSTITUTE OF TECHNOLOGY AND MANAGEMENT
STUDIES::CHITTOOR
DEPARTMENT OF MANAGEMENT STUDIES
II MBA III Semester – Elective - II
Consumer Behaviour

future, then he will spend more money on the purchase of the luxury goods, durables and shopping goods. And on the contrary, if he expects his income to fall in the future his expenditure on such items also reduces.

4. **Consumer Credit:** The credit facility available to the consumer also influences his buying behavior. If the credit terms are liberal, and EMI scheme is also available, then the customers are likely to spend more on the luxury items, durable goods, and shopping goods. This credit is offered by the seller either directly or indirectly through the banks and other financial institutions.
5. **Liquid Assets:** The liquid assets with the consumer also influences his buying behavior. The liquid assets are the assets that are readily convertible into the cash. If the customer has more liquid assets, then he is likely to spend more on the luxury items and the shopping goods. On the other hand, if the liquid assets are few then the expenditure on luxury items also reduces.
6. **Savings:** The amount of savings out of the personal income also influences the consumer buying behavior. Such as, if the customer decides to save more for a particular period, then his expenditure on the other items will be less and in case the savings are less the expenditure on other items increases.

2.4 Demographic factors

Demographic factors like age, income, gender, education, occupation, and family status significantly influence consumer behavior by shaping purchasing power, needs, product preferences, and shopping habits. For instance, different age groups may favor online over offline shopping, while income levels determine affordability and quality of goods sought. Understanding these characteristics is crucial for businesses to develop effective marketing strategies and meet diverse consumer demands.

Demographic factors influence consumer behavior:

- **Age:**

SREENIVASA INSTITUTE OF TECHNOLOGY AND MANAGEMENT
STUDIES::CHITTOOR
DEPARTMENT OF MANAGEMENT STUDIES
II MBA III Semester – Elective - II
Consumer Behaviour

Age dictates specific needs and life stages, influencing purchasing decisions from toys for children to retirement plans. Younger consumers with high incomes may prefer online shopping for convenience, while older, lower-income groups might rely more on traditional retail stores.

- **Gender:**

Men and women often have different product expectations, preferences, and purchasing behaviors.

- **Income:**

Disposable income affects purchasing power, determining the quality and type of products consumers can afford. Higher-income individuals often prioritize quality and convenience, while lower-income groups focus on affordability.

- **Education:**

Higher education levels can lead to more cautious purchasing decisions and a greater focus on product origin or country of origin.

- **Occupation:**

A person's job influences their income and lifestyle, which in turn affects their consumption patterns and preferences.

- **Marital Status & Family Size:**

Family structure and responsibilities, such as the presence of children, change consumer needs and purchasing behavior significantly.

- **Social Class & Cultural Background:**

Consumers within the same social class often exhibit similar purchasing behaviors, while cultural background also profoundly impacts consumer choices.

- **Geographic Location:**

Regional differences can influence buying behavior, as different locations may have distinct cultural norms or economic conditions that affect purchasing habits.

2.5 Cross-cultural factors

SREENIVASA INSTITUTE OF TECHNOLOGY AND MANAGEMENT
STUDIES::CHITTOOR
DEPARTMENT OF MANAGEMENT STUDIES
II MBA III Semester – Elective - II
Consumer Behaviour

Cross-cultural factors significantly affect consumer behavior by shaping values, beliefs, communication styles, and social norms, leading to diverse purchasing preferences and decision-making processes. Businesses must understand these cultural nuances—such as the importance of family in one culture versus individualism in another—to adapt products and marketing strategies, ensuring cultural sensitivity and effectively connecting with global consumers.

Cultural Factors Influencing Consumer Behavior

- **Values and Beliefs:**

Different cultures hold varying values, such as individualism versus collectivism, which influence preferences for products that support personal expression or family-oriented goods.

- **Communication Styles:**

Direct and indirect communication preferences differ across cultures, impacting how marketing messages are received and how personal connections are formed.

- **Social Norms and Customs:**

Cultural norms, such as gift-giving practices in China, dictate acceptable behaviors and influence the perception of brands and products.

- **Symbols and Meanings:**

The meanings of colors, objects, and words vary culturally; for instance, the color red signifies luck in some Asian cultures but danger in others, and brand names must be checked for offensive slang, as in the case of Ford's Pinto in Brazil.

- **Product Perceptions:**

Cultural background can alter how consumers perceive the sensory properties of food, influence acceptable colors for clothing, and shape overall product acceptance, as seen with Zara's color palette for the Indian market.

Impact on Consumer Decision-Making

- **Seeking Information:**

Culture influences where consumers look for product information and how they process it.

- **Evaluating Products:**

SREENIVASA INSTITUTE OF TECHNOLOGY AND MANAGEMENT
STUDIES::CHITTOOR
DEPARTMENT OF MANAGEMENT STUDIES
II MBA III Semester – Elective - II
Consumer Behaviour

Cultural values play a role in how consumers evaluate product features and benefits.

- **Purchasing Habits:**

Cultural norms can drive shopping behaviors, from the value placed on luxury to a preference for modesty and thrift.

Marketing Implications

- **Product Adaptation:**

Companies must adapt products to align with local tastes and beliefs, such as offering vegetarian options in India.

- **Advertising & Promotion:**

Marketing strategies need to incorporate culturally appropriate messaging, imagery, and communication styles.

- **Brand Strategy:**

Brands that demonstrate cultural sensitivity and align with local values can foster stronger customer relationships and loyalty.

2.6 Social Stratification:

Social stratification, on the other hand, is the broader societal process through which individuals and groups are ranked in a hierarchy based on various attributes, including but not limited to social class. It encompasses not only economic factors but also factors like race, gender, and power.

The Layers of Social Stratification

Social stratification involves multiple layers or dimensions of differentiation:

1. Economic Stratification:

- Economic stratification is primarily concerned with the distribution of wealth and income.
- It often forms the foundation of social class distinctions, with the wealthy and the poor occupying different strata.

2. Occupational Stratification:

- Occupational stratification refers to the ranking of jobs and professions within society.

SREENIVASA INSTITUTE OF TECHNOLOGY AND MANAGEMENT
STUDIES::CHITTOOR
DEPARTMENT OF MANAGEMENT STUDIES
II MBA III Semester – Elective - II
Consumer Behaviour

- Certain occupations are associated with higher prestige, income, and social status, creating hierarchies.

3. Educational Stratification:

- Educational stratification involves access to and attainment of education.
- Differences in educational opportunities can lead to disparities in social class and social mobility.

4. Social Stratification Beyond Class:

- Social stratification extends beyond class distinctions and can include hierarchies based on race, ethnicity, gender, and other factors.
- These additional layers of stratification intersect with social class to shape individuals' experiences.

The Impact of Social Class and Stratification on Consumer Behavior

Social class and social stratification have a profound influence on consumer behavior:

– Consumption Patterns:

- Social class often dictates what products and services individuals are likely to purchase.
- Higher social classes may have a preference for luxury goods, while lower classes prioritize essential items.

– Branding and Identity:

- Social class influences brand preferences and the perceived value of products.
- Brands cater to specific social classes to create a sense of belonging and identity.

– Social Influence:

- Individuals often conform to the consumption patterns and lifestyles of their social class peers.
- Social class influences what is considered acceptable or prestigious within a community.

– Marketing and Segmentation:

- Marketers use social class as a crucial segmentation variable to target their products and tailor marketing strategies.

SREENIVASA INSTITUTE OF TECHNOLOGY AND MANAGEMENT
STUDIES::CHITTOOR
DEPARTMENT OF MANAGEMENT STUDIES
II MBA III Semester – Elective - II
Consumer Behaviour

2.7 Groups, Social Class and Reference Groups

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.

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.

Reference groups that influence general values or behavior are called *normative reference groups*.

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

SREENIVASA INSTITUTE OF TECHNOLOGY AND MANAGEMENT
STUDIES::CHITTOOR
DEPARTMENT OF MANAGEMENT STUDIES
II MBA III Semester – Elective - II
Consumer Behaviour

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.

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.

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.

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.

When consumers are primarily concerned with the power that a person or group can exert over them, they might choose products or services that confirm to the norms of that person or group in order to avoid ridicule or punishment. However, unlike other reference groups that consumers follow either because they are credible or because they are attractive, power groups are not likely to cause attitude change. Individuals may conform to the behavior of a powerful person or group but are not likely to experience a change in their own attitudes.

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.

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.

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

SREENIVASA INSTITUTE OF TECHNOLOGY AND MANAGEMENT
STUDIES::CHITTOOR
DEPARTMENT OF MANAGEMENT STUDIES
II MBA III Semester – Elective - II
Consumer Behaviour

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. **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:

- Inform or make the individual aware of a specific product or brand;
- Provide the individual with the opportunity to compare his or her own thinking with the attitudes and behavior of the group;
- Influence the individual to adopt attitudes and behavior that are consistent with the norms of the group;
- 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.

Benefits of the Reference Group Appeal

Reference group appeals have two principal benefits for the advertiser: they increase brand awareness and they serve to reduce perceived risk.

➤ **Increased Brand Awareness**

Reference group appeals provide the advertiser with the opportunity to gain and retain the attention of prospective consumers with greater ease and effectiveness than is possible with many other types of promotional campaigns. This is particularly true of the celebrity form of reference group appeal, where the personality employed is generally well known to the relevant target segment. Celebrities tend to draw attention to the product through their own popularity.

This gives the advertiser a competitive advantage in gaining audience attention, particularly on television where there are so many brief and similar commercial announcements.

➤ **Reduced Perceived Risk**

The use of one or more reference group appeals may also serve to lower the consumer's perceived risk in purchasing a specific product. The example set by the endorser or testimonial-

SREENIVASA INSTITUTE OF TECHNOLOGY AND MANAGEMENT
STUDIES::CHITTOOR
DEPARTMENT OF MANAGEMENT STUDIES
II MBA III Semester – Elective - II
Consumer Behaviour

giver may demonstrate to the consumer that uncertainty about the product purchase is unwarranted:

Family influence

A **family** is an important element that affects the consumption and disposal of products by an individual. A family may be defined as two or more people living together, related by blood or marriage who share a common house, common income and similar status and values.

It is important for a marketer to know the family structure, family compositions, buying patterns, Buying roles and motives of family members, life cycle stages etc. in order to understand family influence on consumer behaviour and position a product efficiently in the market.

There may be two types of families:

- **Nuclear Family** – A small family comprising of a married couple and their children.
- **Joint Family** – It refers to a large family comprising of married couples, their parents, their children and their relatives.

Family Influence on Consumer Behaviour

A family is a social group and all members of a family influence and gets influenced by each other. Family bonds are stronger than bonds in any other group and all members of the family form a single decision unit in case of purchase of products and services for common consumption. Each member influences and gets influenced by a family member depending upon his/her role, life cycle stage and relationship dynamics in the family.

Therefore, family influence on consumer behaviour can be understood by studying the buying roles, family dynamics and life cycle stage of a family member.

Buying Roles of a Family

The various roles played by members of a family while making a purchase decision are:

- **Influencer** – The family member or family members who provide information about a product or service to other family members
- **Gate Keeper** – Family members who controls the flow and direction of the contents of information

SREENIVASA INSTITUTE OF TECHNOLOGY AND MANAGEMENT
STUDIES::CHITTOOR
DEPARTMENT OF MANAGEMENT STUDIES
II MBA III Semester – Elective - II
Consumer Behaviour

- **Decider** – The one with the power to select the product whether individually or jointly
- **Buyer** – The one who makes the actual purchase
- **Preparer** – The family member or family members who prepare the product for family consumption
- **User** – The consumers of the product or service
- **Maintainer** – The members who maintain the product for continued use and satisfaction
- **Disposer** – The member who disposes the product.

Family Dynamics

Family influence on consumer behaviour exists due to the relationship dynamics between family members. The buying behaviour of a family and its members basically depend upon the dynamics of husband-wife in decision making. There may be the following types of decisions on the basis of husband-wife influences –

- Wife Dominant Decisions, E.g. grocery, food, home decoration
- Husband Dominant Decisions, E.g. phone, cars, insurance
- Joint Decisions, E.g. vacations, schools for children
- Autonomic or Unilateral decisions, E.g. milk, newspaper

Family Life Cycle stages

The buying behaviour of a family member is also influenced by his position in the family life cycle stage. Different stages in the life cycle show family influence on consumer behaviour with respect to a family member's position in the life cycle stage. The family life cycle stages and consumption patterns of each stage can be understood with the table below

SREENIVASA INSTITUTE OF TECHNOLOGY AND MANAGEMENT
STUDIES::CHITTOOR
DEPARTMENT OF MANAGEMENT STUDIES
II MBA III Semester – Elective - II
Consumer Behaviour

Family Life cycle Stages	Characteristics of Members	Consumption Interests
Bachelorhood	Young Singles	Games, toys, sports, fashion, clothing, recreation and entertainment
Honeymooners	Young married with no Children	Life Insurance, home furnishings, home appliances, vacations, consumer durables
Parenthood – Full nest 1	Young Married with children	Baby food, clothing and furniture, real estate, medical services, automobiles, bank loans
Parenthood – Full nest 2	Middle-aged with dependent children	Children Education, increased spending on food, clothing, recreation and entertainment, Child Insurance
Post Parenthood – Full nest 3	Old Parents with dependent children	Servants and helpers, higher education, Luxury products, International vacations, social contributions
Empty Nest	Old Parents with independent children	Healthcare services, home security services, basic necessities, value for money products
Solitary Survivor	Old and retired singles	Legal Services, Old age homes, easy to use appliances, Increased expenses on health and security

Personal factors:

Personal factors are individual characteristics like age, occupation, lifestyle, personality, and economic situation that significantly influence a consumer's buying decisions and preferences. These are a subset of broader influences on consumer behavior, alongside social, cultural, and psychological factors, that marketers analyze to understand why and how consumers purchase products and services.

Personal Factors:

- **Age and Life Cycle Stage:**

As consumers age, their tastes, needs, and financial circumstances change, leading to different buying behaviors and priorities at various life stages.

- **Occupation:**

SREENIVASA INSTITUTE OF TECHNOLOGY AND MANAGEMENT
STUDIES::CHITTOOR
DEPARTMENT OF MANAGEMENT STUDIES
II MBA III Semester – Elective - II
Consumer Behaviour

A consumer's job can influence their buying decisions, often correlating with specific needs, product interests, and economic situations.

- **Lifestyle:**

This includes a consumer's activities, interests, opinions, and values, which shape their engagement with the world and their preferences for products and brands that align with their way of life.

- **Personality and Self-Concept:**

A person's unique personality traits and how they see themselves (self-concept) influence their choices, as they often select products and brands that reflect or enhance their self-image.

- **Economic Situation:**

A consumer's income, savings, and financial stability directly impact their purchasing power and influence the types of goods and services they can afford.

Applications of personal factors in marketing

- **Market Segmentation:**

Marketers use personal factors to segment the market into groups with similar characteristics (like age, income, or lifestyle) to tailor products and marketing efforts more effectively.

- **Targeted Marketing:**

By understanding these factors, marketers can create targeted campaigns that appeal to specific consumer needs, interests, and values, making their offerings more relevant.

- **Brand Positioning:**

Brands can position themselves to appeal to a particular lifestyle or personality type, using imagery and messaging that resonates with their target audience's self-concept.

SREENIVASA INSTITUTE OF TECHNOLOGY AND MANAGEMENT
STUDIES::CHITTOOR
DEPARTMENT OF MANAGEMENT STUDIES
II MBA III Semester – Elective - II
Consumer Behaviour

UNIT- III

Syllabi: UNIT –3 Communications and Consumer Behavior

*Process, designing persuasive communication and diffusion of Innovations. Models of Buyer behavior
Howard – Sheth Model, EKB Model, Webster and Wind Model*

3.1 Communications and Consumer Behavior

Communications and consumer behavior are intertwined, as communication aims to influence how consumers think, feel, and act regarding products and services. Effective communication strategies consider factors like the source, message, and medium to persuade target audiences,

SREENIVASA INSTITUTE OF TECHNOLOGY AND MANAGEMENT
STUDIES::CHITTOOR
DEPARTMENT OF MANAGEMENT STUDIES
II MBA III Semester – Elective - II
Consumer Behaviour

while also recognizing the impact of internal (personal experiences) and external (social media, word-of-mouth) influences on a consumer's decision-making process.

Communication Influences on Consumer Behavior

➤ **Persuasive Design:**

Marketers use elements like emotional appeals, humor, and clear messaging to affect consumer choices.

➤ **Credibility:**

The effectiveness of a message often depends on the credibility of the source, whether it's a formal company advertisement or informal word-of-mouth from peers.

➤ **Media Channels:**

The choice of communication channel (e.g., social media, television, direct mail) impacts how messages are received and can be tailored to specific audiences and products.

➤ **Information Cues:**

Information provided through various communication channels, both internal (past experiences) and external (ads, reviews), plays a crucial role in a consumer's decision-making.

➤ **Emotional and Behavioral Impact:**

Marketing communications can shape consumer behavior by creating emotional connections with brands, building loyalty, and influencing purchase decisions.

Elements of the Communication Process

- **Source:** The originator of the message, such as a company or a celebrity endorser.
- **Message:** The information conveyed, including its content, style, and how it's framed.
- **Medium:** The channel through which the message is delivered, such as an advertisement, an email, or a social media post.

SREENIVASA INSTITUTE OF TECHNOLOGY AND MANAGEMENT
STUDIES::CHITTOOR
DEPARTMENT OF MANAGEMENT STUDIES
II MBA III Semester – Elective - II
Consumer Behaviour

- **Receiver:** The target audience or consumer who receives the message.
- **Feedback:** The receiver's response, which helps marketers measure the effectiveness of their communication.

Factors Affecting Consumer Response

- **Internal Factors:**

A consumer's past experiences, knowledge, and personal traits influence how they perceive and respond to communication.

- **External Factors:**

Social influences like peer opinions, cultural norms, and the surrounding media environment also shape consumer behavior.

- **Audience Characteristics:**

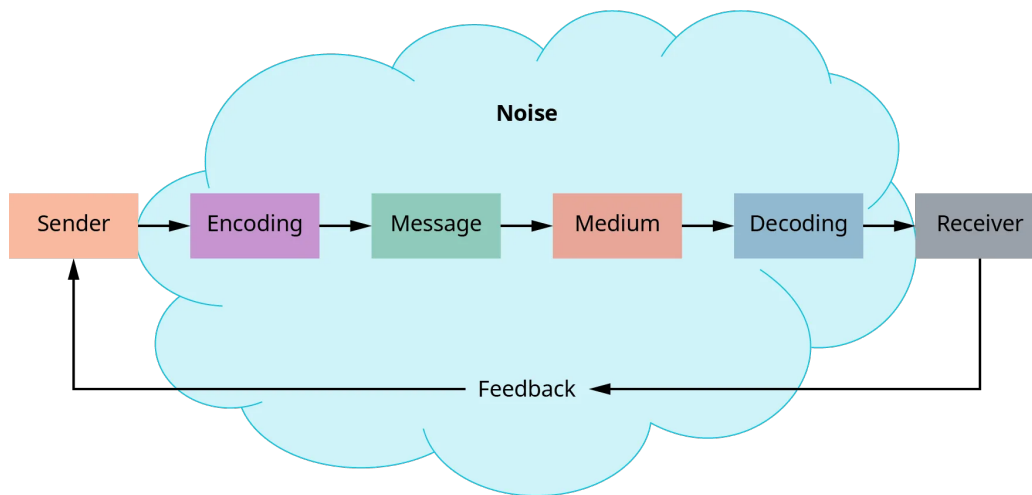
The mood, personal characteristics, and existing knowledge of the target market are critical for designing effective messages.

- **Barriers:**

Factors like selective exposure to messages and "psychological noise" can interfere with communication effectiveness.

3.2 Communication process

SREENIVASA INSTITUTE OF TECHNOLOGY AND MANAGEMENT
STUDIES::CHITTOOR
DEPARTMENT OF MANAGEMENT STUDIES
II MBA III Semester – Elective - II
Consumer Behaviour



The Sender

The **sender** is the source of the message. This can be the company, the marketer, or the hired talent for a commercial.

Encoding

The process of creating the message is known as **encoding**. The process of putting the thoughts and ideas into words or symbols is encoding. Encoding could be writing a press release, developing a tag line, writing ad copy, creating a jingle, or designing a brand symbol. How a marketer chooses to encode the message should be dependent on the characteristics of the audience.

The Message

From the encoding process, a message is developed. For marketers, the goal is to have the message reflect the value the product provides to the consumer.

The Medium

Once the marketer has the message developed, they need to send it. The **medium** is how the message is delivered. The message could be sent through the television in the form of an advertisement or a news story. The message could travel to the customer through an email directly in the customer's inbox. Or the message could be a salesperson describing the product or service he sells.

SREENIVASA INSTITUTE OF TECHNOLOGY AND MANAGEMENT
STUDIES::CHITTOOR
DEPARTMENT OF MANAGEMENT STUDIES
II MBA III Semester – Elective - II
Consumer Behaviour

The Receiver

In marketing, the customer is generally the **receiver**. However, messaging can also be delivered to groups and organizations.

Decoding

Decoding is the process of unpacking the message and giving it meaning. It is the receiver's understanding of the message that has been sent. Many things affect the process of decoding, some of which include the receiver's knowledge and experience. To create the most effective messages and delivery, the marketer needs to have extensive research about and understanding of the receiver.

Feedback

The **feedback loop** tells the sender if the receiver understood the message as they were intending it when they encoded the message. Feedback is the checkpoint on a specific call to action. It can be a return email, a click to a website, or a purchase using a coupon. When the feedback loop is complete, the marketer has data regarding the communication process.

Noise

In the communication process, many elements are outside of the marketer's control. The biggest factor that can be a point of conflict for the marketer is the **noise** that interferes with the receiver's ability to get the message, decode it, and provide feedback. All the elements that get in the way of the receiver getting the message are noise. Noise can be the distractions that happen while the ad plays during an episode of *Seal Team*—things such as getting a snack, talking to a family member or friend, or surfing channels just as the ad is playing. Noise can be the other thousands of messages targeting the same receiver and vying for their attention.

3.3 Designing persuasive communication and diffusion of Innovations

SREENIVASA INSTITUTE OF TECHNOLOGY AND MANAGEMENT
STUDIES::CHITTOOR
DEPARTMENT OF MANAGEMENT STUDIES
II MBA III Semester – Elective - II
Consumer Behaviour

Designing persuasive communication for Diffusion of Innovation (DOI) involves understanding how new products spread and applying communication principles to influence consumer behavior through various stages: Knowledge, Persuasion, Decision, Implementation, and confirmation. To do this, marketers must define communication objectives, identify target audiences (like Innovators and Early Adopters), choose appropriate channels (mass media, interpersonal), craft tailored messages using techniques such as framing and comparative advertising, and understand the social system and communication channels over time.

The Diffusion of Innovation Process

1. Knowledge:

Consumers are first exposed to the innovation and gather basic information.

2. Persuasion:

Consumers become open to the idea of the innovation and actively seek information to form an opinion.

3. Decision:

Consumers weigh the pros and cons and decide whether to adopt or reject the innovation.

4. Implementation:

Consumers use the product and evaluate its actual usefulness.

5. Confirmation:

Consumers review their adoption decision and decide whether to continue using the product or abandon it.

Elements of Diffusion of Innovation

- **Innovation:** The idea, practice, or object perceived as new by the consumer.
- **Communication Channels:** The means by which messages get from one person to another, including mass media (TV, online) and interpersonal channels (face-to-face).
- **Time:** The period, over which diffusion occurs, encompassing the adoption process stages.
- **Social System:** The members of a society who adopt the innovation.

SREENIVASA INSTITUTE OF TECHNOLOGY AND MANAGEMENT
STUDIES::CHITTOOR
DEPARTMENT OF MANAGEMENT STUDIES
II MBA III Semester – Elective - II
Consumer Behaviour

Designing Persuasive Communication

1. **Establish Communication Objectives:** Define what you want the audience to do, believe, or know.
2. **Select Your Audience:** Identify the specific consumer segments for your innovation.
3. **Choose Communication Channels:** Select the most appropriate media (e.g., tech blogs for innovators, social media for early adopters) to reach your target audience.
4. **Design Effective Messages:**
 - **Message Framing:** Decide whether to present information positively or negatively.
 - **Argument Type:** Use one-sided messages for receptive audiences or two-sided messages for those with more doubts.
 - **Persuasive Appeals:** Employ tactics such as humor, fear, or comparative advertising.
 - **Order Effects:** Consider the best sequence to present information for maximum impact.
 - **Repetition:** Repeat key messages to increase recall and persuasion.
5. **Tailor to the Adoption Stage:** Adapt your messaging to the consumer's stage in the DOI process (e.g., providing detailed benefits during the Persuasion stage).
6. **Consider Social System Dynamics:** Understand how opinion leaders, early adopters, and other social groups influence diffusion within the social system.

3.4 Models of Consumer Behaviour

Consumer behaviour models are frameworks that explain how individuals and groups make decisions to buy products and services by analyzing influencing factors like price, income, social groups, psychological needs, and learned experiences. Common models include traditional approaches like the Economic Model, Learning Model, Psychoanalytical Model, and Sociological Model, as well as contemporary frameworks such as the Howard-Sheth Model, Engel-Kollat-Blackwell (EKB) Model, and Nicosia Model

SREENIVASA INSTITUTE OF TECHNOLOGY AND MANAGEMENT
STUDIES::CHITTOOR
DEPARTMENT OF MANAGEMENT STUDIES
II MBA III Semester – Elective - II
Consumer Behaviour

Howard Sheth Model

Definition: The Howard Sheth Model is an approach for analyzing the combined impact of the social, psychological and marketing factors on the buying behaviour or preference of the consumers and the industrial buyers into a logical order of information processing.

John Howard and Jagadish Sheth introduced the Howard Sheth Model in the year 1969. The concept was published in their book 'The Theory of Buyer Behaviour'.

Contents in Howard Sheth Model

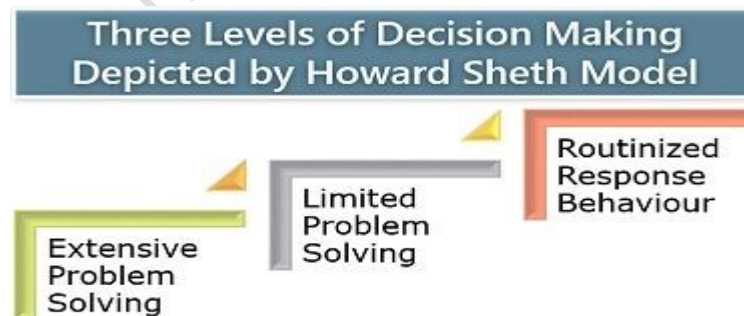
1. Three Levels of Decision-Making

- A.Extensive Problem Solving
- B.Limited Problem Solving
- C.Routinized Response Behaviour

2. Variables

- A.Input Variables
- B.Hypothetical Constructs
- C.Output Variables
- D.Exogenous Variable

1. Three Levels of Decision-Making in Howard Sheth Model



A. Extensive Problem Solving

This is the initial stage of decision-making, where the buyer is new to the market. He/she has no or little information about the brands and has no preference for a particular

SREENIVASA INSTITUTE OF TECHNOLOGY AND MANAGEMENT
STUDIES::CHITTOOR
DEPARTMENT OF MANAGEMENT STUDIES
II MBA III Semester – Elective - II
Consumer Behaviour

product or service. Thus, a consumer is an information seeker at this level, who check out different brands available in the market, before making a buying decision.

B. Limited Problem Solving

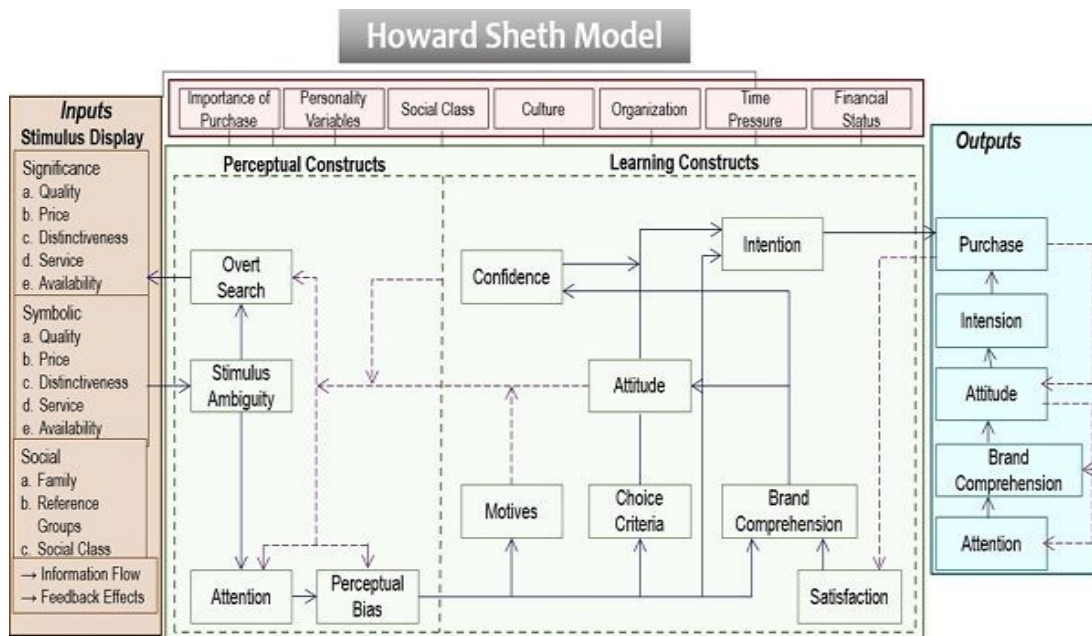
At this level, the buyer has inadequate or incomplete information about the product, market or the brands operating in it. Sometimes the buyer is confused among the various alternatives. Therefore, to make a buying decision; he/she look for a comparative study of the different brands and the products available in the market.

C. Routinized Response Behaviour

The habitual response behaviour stage is where the buyer is entirely aware of the products offered by different brands and the features, pros and cons of each product.

He/she is capable of evaluating and comparing the multiple options available in the market. Here, the buyer decides in advance, which product is to be purchased.

Design of Howard Sheth Model:



2 . Variables of Howard Sheth Model

Beginning with the stage of extensive problem solving, the buyer slowly converts into a regular customer of the organization, at the routinized response behaviour level.

SREENIVASA INSTITUTE OF TECHNOLOGY AND MANAGEMENT
STUDIES::CHITTOOR
DEPARTMENT OF MANAGEMENT STUDIES
II MBA III Semester – Elective - II
Consumer Behaviour

The entire buyer decision-making process in the Howard-Sheth Model is based on four essential elements or pillars of the model. These variables are elaborated below:

A Input Variables

The stimulus inputs refer to the idea or information clue about the brand and its product in terms of product quality, distinctiveness, price, service offered and availability.

These can be further classified as follows:

1. **Significant Stimuli:** The significant stimuli are the physical traits of the product and the brand. It includes the product's price, quality, availability, distinctive characteristics and service.
2. **Symbolic Stimuli:** The **marketing strategies** like **advertisement and publicity** creates a psychological impact on the buyer's perception of a product's rhetorical and visible features.
3. **Social Stimuli:** The social stimuli comprises of the various environmental factors which are considered as a source of information for the buyers. It includes family, social class and reference groups.

B. Hypothetical Constructs

The hypothetical constructs depict the central part of the model. It includes all those psychological variables which play a vital role in the buyer's decision-making process.

It can be further bifurcated into the following two categories:

Perceptual Constructs

These components define the consumer's procurement and perception of the information provided at the input stage.

It is an essential element since it drives the buyer's brand selection and purchases, which includes:

- **Sensitivity to Information:** The buyer's level of understanding or openness towards the information received by him/her.

SREENIVASA INSTITUTE OF TECHNOLOGY AND MANAGEMENT
STUDIES::CHITTOOR
DEPARTMENT OF MANAGEMENT STUDIES
II MBA III Semester – Elective - II
Consumer Behaviour

- **Perceptual Bias:** On the grounds of individual perception of each brand, the buyer is partial towards a particular brand.
- **Search for Information:** The buyer also seeks for more information to ensure the right decision-making.

Learning Constructs

The learning constructs define the buyer's knowledge, opinion, attitude and end decision on product or brand selection.

Following are the various learning constructs of a buyer:

- **Motive:** The specific goal or purpose for which the product purchase is carried out.
- **Choice Criteria:** The set of principles or benchmarks defined for product selection.
- **Brand Comprehension:** The information about the product or brand pertained by the buyer.
- **Attitude:** The buyer's perspective and willingness to purchase a product of a particular brand defines his/her attitude.
- **Confidence:** The trust or faith of the buyer in a specific brand and its products builds his/her confidence.
- **Intention:** The buyer's purchase motive, preference criteria, brand comprehension, consumer attitude and confidence, results in the selection of a particular brand.
- **Satisfaction:** After-purchase, the buyer evaluates his/her level of contentment, to find out whether the product has fulfilled the expectations or not.

C. Output Variables

The output or as we say, the result of the buyer's decision-making can be seen in the form of his/her response towards the input variables.

It consists of five major components which are arranged systematically below:

1. **Attention:** The buyer's level of concentration and alertness with which he/she understands the information provided, is termed as attention.
2. **Brand Comprehension:** The awareness of the buyer regarding a particular brand and its products is known as brand comprehension.

SREENIVASA INSTITUTE OF TECHNOLOGY AND MANAGEMENT
STUDIES::CHITTOOR
DEPARTMENT OF MANAGEMENT STUDIES
II MBA III Semester – Elective - II
Consumer Behaviour

3. **Attitude:** The buyer's evaluation of a brand in terms of individual likes and dislikes, determines his/her behaviour, interest and awareness towards it.
4. **Intention:** The aim or objective of the buyer for purchasing a product can be seen as the buying intention.
5. **Purchase Behaviour:** All the above elements result in the actual purchase of a product by the buyer.

D. Exogenous Variable

There are certain other external factors which influence the buying behaviour of an individual or a firm by hampering the product purchase of a preferred brand.

The exogenous variables are the environmental forces or components of this model. These are as follows:

1. **Importance of Purchase:** If the buyer perceives the product to be less crucial, involving a low cost, then there is a little brand preference.
2. **Personality Variables:** Personal traits like ego, self-esteem, anxiety, dominance, authoritarian, etc. influences a buyer's decision-making while purchasing a product.
3. **Social Class:** A buyer's social group, including the family, friends and other reference groups impact the selection or rejection of a particular brand.
4. **Culture:** The buyer's values, beliefs and ideas frame his/her purchase motive and inhibitors.
5. **Organization:** The buyer's interaction with the social groups define their authority, status and power. The hypothetical constructs of a buyer are affected by such formal or informal communications.
6. **Time Pressure:** The buyer, at times, is under the pressure of taking a timely decision, which makes him/her look for alternatives if the product of the preferred brand is unavailable at the moment.
7. **Financial Status:** The buyer's inability to purchase a product or unaffordability restricts him/her from buying it.

SREENIVASA INSTITUTE OF TECHNOLOGY AND MANAGEMENT
STUDIES::CHITTOOR
DEPARTMENT OF MANAGEMENT STUDIES
II MBA III Semester – Elective - II
Consumer Behaviour

Conclusion

The Howard Sheth Model majorly emphasizes *repetitive buying behaviour* of the consumers or industrial buyers. This is an *empirical approach* towards understanding the buyer's mindset while purchasing a product or service. It has been intensively applied and tested to check its viability. Still, the model *lacks reliability* due to its dependency on the hypothetical constructs, which are challenging to be pragmatically examined.

The Engel Kollat Blackwell (EKB) Model of Consumer Behavior

The **Engel Kollat Blackwell Model of Consumer Behavior** was created to describe the increasing, fast-growing body of knowledge concerning consumer behavior. This model, like in other models, has gone through many revisions to improve its descriptive ability of the basic relationships between components and sub-components.

The Engel Kollat Blackwell model describes consumer behavior as a 4-step decision-making process involving problem recognition, information search, alternative evaluation, and purchase decision. The model also considers how external factors like culture, social class, and reference groups as well as internal factors like motivation, personality, and knowledge influence the consumer's decision journey. A key feature is distinguishing between high and low involvement purchases based on perceived risk.

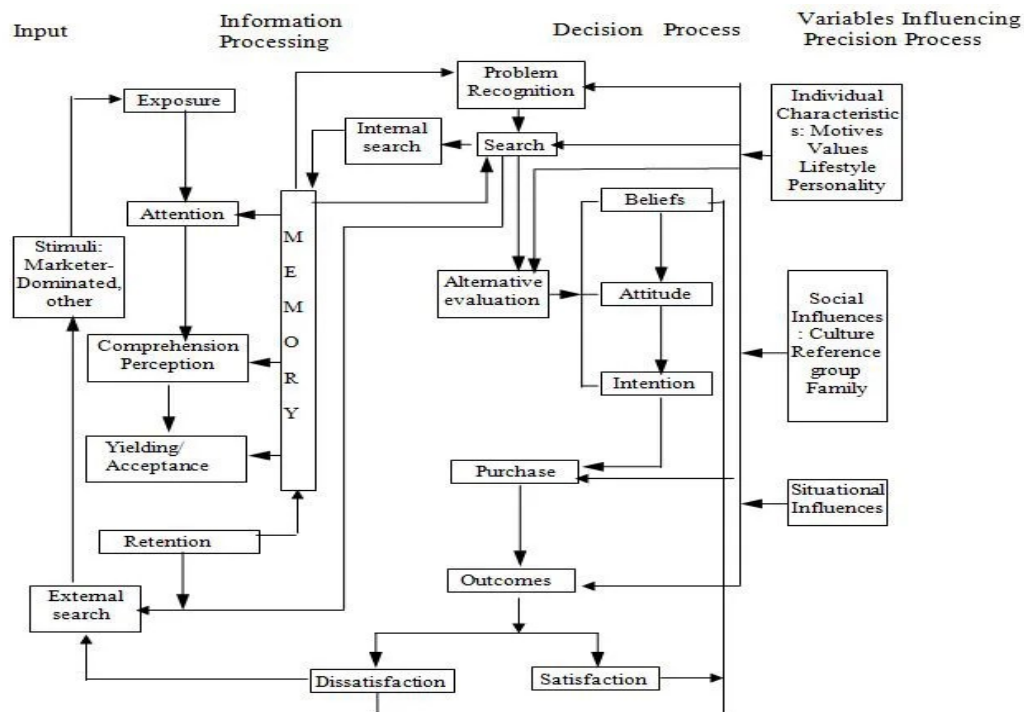
The Engel Kollat Blackwell Model of Consumer Behavior or consists of four distinct stages;

1. **Information Input Stage:** At this stage the consumer gets information from marketing and non-marketing sources, which also influence the problem recognition stage of the decision-making process. If the consumer still does not arrive to a specific decision, the search for external information will be activated in order to arrive to a choice or in some cases if the consumer experience dissonance because the selected alternative is less satisfactory than expected.
2. **Information Processing Stage:** This stage consists of the consumer's exposure, attention, perception, acceptance, and retention of incoming information. The consumer must first be

SREENIVASA INSTITUTE OF TECHNOLOGY AND MANAGEMENT
STUDIES::CHITTOOR
DEPARTMENT OF MANAGEMENT STUDIES
II MBA III Semester – Elective - II
Consumer Behaviour

exposed to the message, allocate space for this information, interpret the stimuli, and retain the message by transferring the input to long-term memory.

3. **Decision Process Stage:** The central focus of the EKB model is on five basic decision-process stages: Problem recognition, search for alternatives, alternate evaluation (during which beliefs may lead to the formation of attitudes, which in turn may result in a purchase intention) purchase, and outcomes. But it is not necessary for every consumer to go through all these stages; it depends on whether it is an extended or a routine problem-solving behavior.
4. **Variables Influencing the Decision Process:** This stage consists of individual and environmental influences that affect all five stages of the decision process. Individual characteristics include motives, values, lifestyle, and personality; the social influences are culture, reference groups, and family. Situational influences, such as a consumer's financial condition, also influence the decision process.



SREENIVASA INSTITUTE OF TECHNOLOGY AND MANAGEMENT
STUDIES::CHITTOOR
DEPARTMENT OF MANAGEMENT STUDIES
II MBA III Semester – Elective - II
Consumer Behaviour

Webster and Wind Model

The **Webster and Wind Model**, developed in 1972 by Frederick E. Webster Jr. and Yoram Wind, is one of the most comprehensive frameworks for studying **organizational (B2B) buying behavior**. Although not a model of individual consumer behavior, its systematic approach helps unpack the complexities of purchasing decisions in firms. Here's what it entails:

1. Environmental Variables

External influences beyond a firm's control, such as economic climate, political and legal systems, technology, culture, labor unions, competition, and supplier information.

2. Organizational Variables

Internal aspects that shape buying decisions, including organizational goals, structure, policies and procedures, resources (like budget or technology), and evaluation and reward systems.

3. Buying Center Variables

Refers to the roles and interpersonal dynamics within the buying decision team (or “buying center”), including:

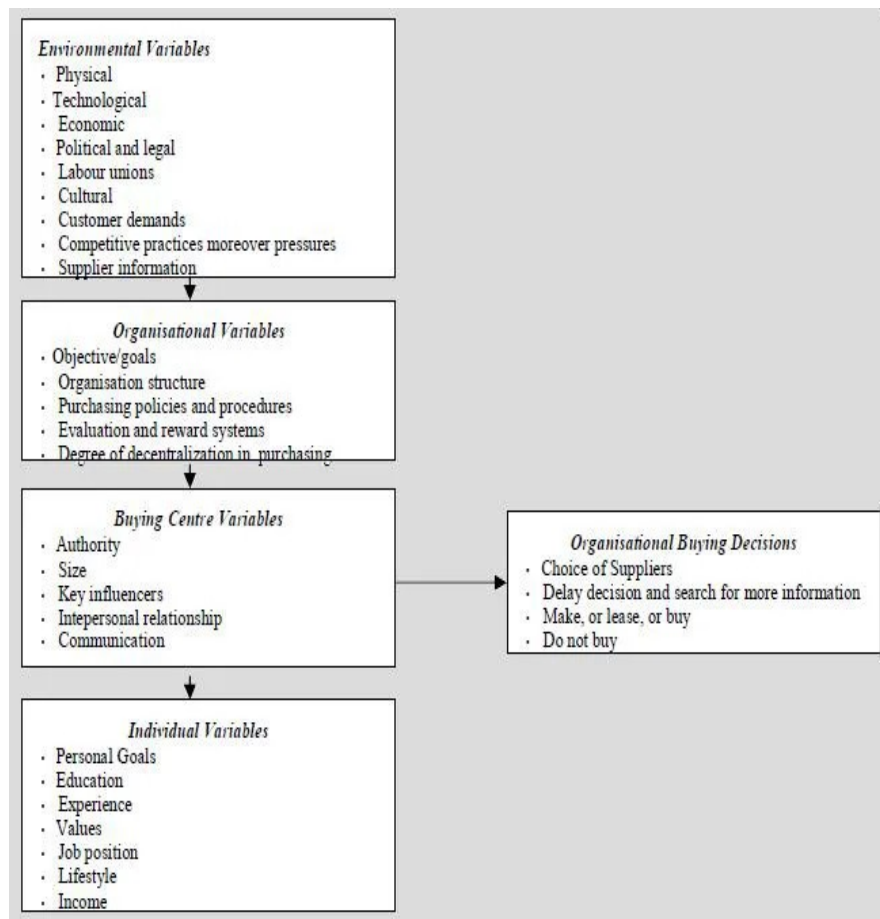
- **Users**
- **Initiators**
- **Deciders**
- **Buyers**
- **Approvers**
- **Gatekeepers**

These individuals interact through leadership, communication, and group processes to make collective decisions.

4. Individual Variables

Consider the personal characteristics of each decision-maker, such as motivation, perception, preferences, attitudes, learning, personality, role perceptions, and demographics

SREENIVASA INSTITUTE OF TECHNOLOGY AND MANAGEMENT
STUDIES::CHITTOOR
DEPARTMENT OF MANAGEMENT STUDIES
II MBA III Semester – Elective - II
Consumer Behaviour



The environmental variables include physical, technological, economic, political, legal, labor unions, competition and supplier information. For example, in a recessionary economic condition, industrial firms minimize the quantity of items purchased.

The environmental factors influence the buying decisions of individual organisations. The organizational variables include objectives, goals, organisation structure, purchasing policies and procedures, degree of centralization in purchasing, and evaluation and reward system. These variables particularly influence the composition and functioning of the buying center, and also, the degree of centralization or decentralization in the purchasing function in the buying organisation. The functioning of buying center is influenced by the organisational variables, the environmental variables and the individual variables. The output of the group decision-making process of the buying center includes solutions to the buying problems of the organisation and also the satisfaction of personal goals of individual members of the buying center. The strengths of the model, developed in 1972, are that it is comprehensive, generally applicable, analytical,

SREENIVASA INSTITUTE OF TECHNOLOGY AND MANAGEMENT
STUDIES::CHITTOOR
DEPARTMENT OF MANAGEMENT STUDIES
II MBA III Semester – Elective - II
Consumer Behaviour

and that it identifies many key variables, which could be considered while **developing marketing strategies by industrial marketers**. However, the model is weak in explaining the specific influence of the key variables.

H VISWA KIRAN

SREENIVASA INSTITUTE OF TECHNOLOGY AND MANAGEMENT
STUDIES::CHITTOOR
DEPARTMENT OF MANAGEMENT STUDIES
II MBA III Semester – Elective - II
Consumer Behaviour

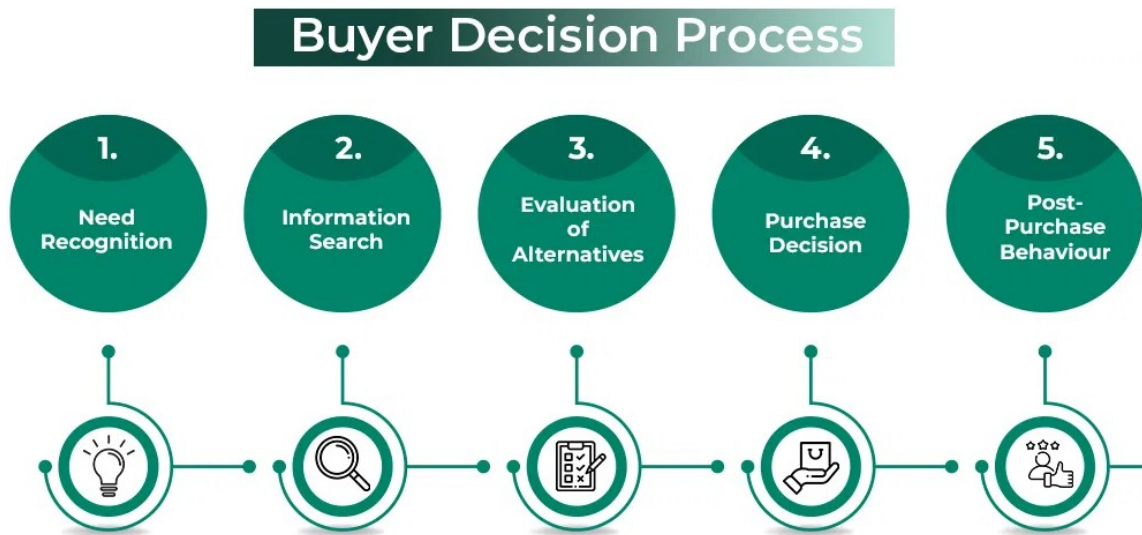
UNIT 4

4.1 Consumer decision process

For the consumer, making a decision to purchase a product is not an easy task. They have to collect information from multiple sources, pay close attention to every aspect, analyse all of their possible options, and then make a purchasing decision. In most cases, the consumer must go through multiple phases before making a final decision. Usually, the consumer passes through **five stages**:

1. Need recognition,
2. Information search,
3. Evaluation of alternatives,
4. Purchase decision, and
5. Post-purchase behaviour.

The **buying process** begins before the actual purchase is done



It is not necessary that the consumer has to complete each of the five steps of the purchasing process because he/she can skip or go back through some steps. This is mostly determined by the type of goods purchased, the consumer's level of involvement in the purchase, and the amount of money involved. When it comes to purchasing any of the fast-moving consumer

SREENIVASA INSTITUTE OF TECHNOLOGY AND MANAGEMENT
STUDIES::CHITTOOR
DEPARTMENT OF MANAGEMENT STUDIES
II MBA III Semester – Elective - II
Consumer Behaviour

items, such as toothpaste, detergents, deodorants, etc., the consumer may skip the information search and evaluation of alternative stages and proceed directly to the purchase decision stage.

Buyer Decision Process

The Buyer Decision Process includes five stages as mentioned below:

1. Need Recognition:

The consumer's buying process begins with the identification of a specific need or problem. Consumers only look for a solution in the form of a purchase of a good, service, or idea when they come across a problem or need. The problem may be basic, such as the need for food, clothing, and shelter, or it may be something that is encouraged by an outside stimulus, such as a television ad for a new mobile phone or a friend buying a new car. Once a problem has been identified, it must be understood thoroughly. To find a solution, a customer must investigate the root of the problem and identify the main cause that is responsible for it. For this, he must properly identify the problem and its dimensions at the initial stage.

2. Information Search:

When the problem is defined, the search for a solution begins. The consumer may search a variety of possible sources for information. An attempt should be made to identify all sources and acquire as much information as possible so that the possibility of making a mistake can be reduced to a minimum. It is essential for marketers to fully understand the primary information sources for consumers that can impact their (consumers) purchasing decisions. There are numerous sources from which a consumer can get information, which include:

- **Personal Sources:** The initial and most important source of information may come from family members, friends, neighbours, and acquaintances. It is expected from the consumer that they will speak with all of these people and gather as much information as possible about the answers to their problems.
- **Commercial Sources:** Commercial advertisements that come at various media platforms, through salespersons, dealers, and distributors, as well as at trade events and exhibitions, are key sources through which a consumer acquires information about the various alternatives available.

- **Public Source:** The customer can also rely on information from various mass media resources, marketing research organisations, and consumer rating associations.
- **Experiential Sources:** In some circumstances, a consumer would prefer to try out new items, personally handle them, carefully analyse them, use the sample product, and come to their own decisions.

The consumer can learn about the many features of the product as well as those of the competing brands and their features by gathering information. Thus, it becomes crucial for businesses to learn as much as they can about competitors to position their products as being superior to the consumers.

3. Evaluation of Alternatives:

The customer is required to process the competitive information and make a final value judgment after acquiring information about various brands from the various sources stated above. Every customer has a different evaluation method, and no consumer uses the same method in all buying situations. However, regardless of the situation, buyers evaluate products based on predetermined criteria. They try to rate the different brands based on their desired attributes and brand image before making their conclusions, judgments, and preferences towards the various brands through an attribute evaluation method. Marketers must understand the different attributes that consumers search for when purchasing their goods so that they can include these attributes in their products that meet the consumer's preferences.

4. Purchase Decision:

The consumer builds preferences during the evaluation stage among the various brands available in the market. A consumer's decision to acquire, postpone, or avoid a purchase decision is significantly influenced by a variety of factors, including his income level, convenient time, convenient purchase location, and urgency of need.

A consumer may have to make choices across **five different aspects** when making a purchase decision for example,

<u>Decision Aspect</u>	<u>Example Given</u>
------------------------	----------------------

SREENIVASA INSTITUTE OF TECHNOLOGY AND MANAGEMENT
STUDIES::CHITTOOR
DEPARTMENT OF MANAGEMENT STUDIES
II MBA III Semester – Elective - II
Consumer Behaviour

<u>Decision Aspect</u>	<u>Example Given</u>
1. What to buy?	Maruti Suzuki Car (Brand/Product)
2. Which seller to choose?	A Motors (Retailer/Dealer)
3. How much to buy?	One Swift Car (Quantity)
4. When to buy?	Weekend (Timing)
5. How to pay?	Debit card (Payment method)

Purchases of ordinary goods involve fewer decisions and less thinking.

5. Post-Purchase Behaviour:

The consumer will feel some amount of satisfaction—or dissatisfaction—after purchasing the product. When a product is sold, the marketer's job does not finish. They must track post-purchase satisfaction, post-purchase behaviours, and post-purchase use and disposal. Marketers need to determine the satisfaction level of the buyers with the purchase. The association between the customer's expectations and the performance of the delivered goods determines the satisfaction of the buyer. Consumers are disappointed when performance fails to match expectations, satisfied when performance meets expectations, and delighted when performance exceeds expectations. These emotions have a significant role in determining whether or not the buyer will buy the goods again and recommend them to others. Additionally, marketers need to keep an eye on how customers use the product and then discard it to ensure that it doesn't damage the environment.

4.2 High Involvement and Low involvement

In the world of consumer behaviour, decision-making processes vary significantly depending on the level of involvement a consumer has with a product or service. Understanding whether a decision is high or low involvement is crucial for brands looking to tailor their marketing strategies effectively. This blog, I will explore the differences between high and low involvement decision making, the factors influencing these decisions, and how brands can optimise their strategies to cater to both types of consumers.

SREENIVASA INSTITUTE OF TECHNOLOGY AND MANAGEMENT
STUDIES::CHITTOOR
DEPARTMENT OF MANAGEMENT STUDIES
II MBA III Semester – Elective - II
Consumer Behaviour

High involvement decisions are typically significant, infrequent purchases that require considerable thought, research, and deliberation such as buying a car or home or selecting a university. These decisions often involve products or services that have a high personal, social, or financial impact. Their characteristics include:

- **Extensive Information Search:** Consumers engage in thorough research, comparing different options, reading reviews, and seeking recommendations.
- **High Perceived Risk:** The perceived risk, whether financial, social, or functional, is high. Consumers want to avoid making the wrong choice.
- **Emotional and Cognitive Engagement:** Consumers invest significant emotional and cognitive effort in the decision-making process.

When it comes to brands, there are a number of strategies to adopt including, providing detailed information, showcasing testimonials and reviews, offering expert opinions or facilitating in-depth engagement.

Low involvement decisions involve routine purchases with minimal thought and effort. These decisions typically involve products that are low-cost, frequently purchased, and have low personal relevance such as groceries, toothpaste or cleaning products. Their characteristics involve:

- **Minimal Information Search:** Consumers make quick decisions with limited research or comparison.
- **Low Perceived Risk:** The perceived risk is minimal due to the low cost and frequent nature of the purchase.
- **Habitual Buying Behaviour:** Decisions are often based on habits or brand loyalty rather than detailed analysis.

4.3 Consumer Behaviour: Three-Stage Model

Consumer behaviour refers to the actions and decision processes of individuals or groups when selecting, buying, using, or disposing of products or services. One widely used framework divides the buying process into three main stages: **Pre-purchase, Purchase, and Post-purchase.**

SREENIVASA INSTITUTE OF TECHNOLOGY AND MANAGEMENT
STUDIES::CHITTOOR
DEPARTMENT OF MANAGEMENT STUDIES
II MBA III Semester – Elective - II
Consumer Behaviour

1. Pre-Purchase Stage

This stage starts when the consumer recognizes a need or a problem and continues until they decide which product or service to purchase. It is crucial because it is where awareness, consideration, and preference formation occur. Key elements of the pre-purchase stage:

- **Problem / Need Recognition**

Consumers detect a difference between their current state and a desired state, prompting a need for a product or service.

Triggers may come from internal stimuli (e.g. hunger, desire for comfort) or external stimuli (e.g. advertising, peer influence).

- **Information Search**

Once a need is identified, the consumer gathers information about possible solutions.

- Internal search: recalling past experiences, memories.
- External search: consulting advertisements, reviews, friends, social media, expert opinions, manufacturer websites, etc.

The degree of search depends on factors like the product's complexity, perceived risk, consumer's prior knowledge/experience.

- **Evaluation of Alternatives**

Consumers compare various options they have identified. They weigh attributes such as price, quality, features, brand reputation, warranty, reviews, etc.

Decision rules may be applied:

- Compensatory models: where advantages in some features can offset disadvantages in others.
- Non-compensatory models: where some options are eliminated if they do not meet minimum thresholds

Marketing implication: firms must differentiate their offerings clearly and communicate comparative advantages.

2. Purchase Stage

This stage is when the consumer makes the actual choice, completes the transaction, and obtains the product or service. Key elements:

SREENIVASA INSTITUTE OF TECHNOLOGY AND MANAGEMENT
STUDIES::CHITTOOR
DEPARTMENT OF MANAGEMENT STUDIES
II MBA III Semester – Elective - II
Consumer Behaviour

- **Purchase Intention vs. Purchase Decision**

A consumer may intend to buy, but some factors may stop the actual purchase (unexpected costs, stock issues, attractive offers from competitors, negative reviews).

- **Choice of Channel**

Deciding **where** to buy: online (e-commerce, app) or offline (retail stores), or hybrid methods (such as click-and-collect). The choice depends on convenience, pricing, trust, service, and experience. **Influence of Sales Promotion, Salespeople, In-store Factors**

Point-of-sale promotions, displays, in-store environment, sales staff behavior, discounts, loyalty programs, persuasive communication can all influence the final purchase. **Mode of Payment & Transaction Convenience**

Offering flexible payment methods (cash, credit, EMI, digital wallets, Buy Now Pay Later) and ensuring the checkout process is secure and smooth enhances the likelihood of completion.

3. Post-Purchase Stage

Once the product or service is purchased and used, the consumer's experience and evaluation occur, which influence their future behaviour (such as repeat purchase or word-of-mouth).

Key elements:

- **Product Usage & Experience**

Consumers assess whether the product meets or exceeds their expectations. If performance aligns with or exceeds promise, satisfaction results; otherwise, dissatisfaction or complaints may arise.

- **Cognitive Dissonance (Buyer's Remorse)**

Especially for high-involvement purchases, consumers may question their decision after the fact. They may worry whether they chose correctly.

Marketers reduce dissonance by offering warranties, follow-up communication, usage tips, easy return policies, reassurance messages, etc.

- **Customer Satisfaction / Dissatisfaction**

If actual performance matches or exceeds expectations, the consumer is satisfied;

SREENIVASA INSTITUTE OF TECHNOLOGY AND MANAGEMENT
STUDIES::CHITTOOR
DEPARTMENT OF MANAGEMENT STUDIES
II MBA III Semester – Elective - II
Consumer Behaviour

otherwise dissatisfied. Satisfaction leads to positive outcomes like repeat purchase, loyalty, and favorable word-of-mouth; dissatisfaction leads to negative reviews, complaints, brand switching.

- **Word-of-Mouth, Reviews, Advocacy**

Satisfied customers often become advocates, sharing their experience through reviews, social media, personal networks. Negative experiences can damage brand reputation via negative reviews or complaints.

- **Repeat Purchase & Brand Loyalty**

Positive post-purchase experience encourages consumers to repurchase, try other offerings from the same brand (cross-selling), and remain loyal. Loyalty programs, consistent quality, personalized offers help sustain this.

4.4 The Consumption and Evaluation Process

Consumption and evaluation are integral parts of the consumer behavior process, encompassing the entire journey of how individuals select, use, and assess goods and services to satisfy their needs. Consumers engage in activities like information search and comparing alternatives to reach a decision, followed by post-purchase evaluation where they judge their satisfaction or dissatisfaction with the product or service, influencing future behavior. This multifaceted process is shaped by psychological, social, cultural, and economic factors, which marketers leverage to develop effective strategies.

The Consumption and Evaluation Process

The consumption and evaluation phases occur after a consumer recognizes a need and involves several steps:

1. **Information Search:**

Consumers gather information about available options, which can include internal recall (past experiences) or external sources like friends, family, or online resources.

2. **Alternatives Evaluation:**

SREENIVASA INSTITUTE OF TECHNOLOGY AND MANAGEMENT
STUDIES::CHITTOOR
DEPARTMENT OF MANAGEMENT STUDIES
II MBA III Semester – Elective - II
Consumer Behaviour

Consumers assess and compare the different products or services based on their perceived benefits, price, quality, and other relevant attributes.

3. Purchase Decision:

Based on the evaluation, the consumer chooses a particular product or service to purchase.

4. Post-Purchase Evaluation:

After using the product or service, consumers evaluate their satisfaction or dissatisfaction, which can impact future behavior, such as repeat purchases or brand loyalty.

Factors Influencing Consumption and Evaluation

The process is influenced by various factors:

- **Psychological Factors:**

Motivation, perception, learning, attitudes, and personality affect how consumers behave.

- **Social Factors:**

Reference groups, opinion leaders, family, and social class influence purchasing decisions.

- **Cultural Factors:**

Broader cultural norms, subcultures (e.g., religious or regional groups), and individual values play a significant role.

- **Economic Factors:**

Income levels, credit availability, and overall economic conditions influence the purchasing power and choices of consumers.

Importance for Marketers

Understanding these dynamics helps businesses:

- **Develop Effective Strategies:**

Marketers can create tailored strategies to meet consumer needs by understanding their motivations and decision-making processes.

- **Anticipate Trends:**

SREENIVASA INSTITUTE OF TECHNOLOGY AND MANAGEMENT
STUDIES::CHITTOOR
DEPARTMENT OF MANAGEMENT STUDIES
II MBA III Semester – Elective - II
Consumer Behaviour

By monitoring how consumers evaluate products and services, businesses can anticipate changes in preferences and demand.

- **Build Brand Loyalty:**

A positive post-purchase evaluation can lead to customer satisfaction and loyalty, encouraging repeat purchases and brand advocacy.

4.5 Brand Loyalty and Repeat Purchase Behavior

Brand loyalty is a consumer's persistent positive attitude toward a specific brand, leading to repeat purchase behavior, where they consistently choose that brand over competitors despite other options or price changes. This behavior is cultivated through factors such as product quality, customer satisfaction, emotional connection, brand reputation, and trust. Loyalty not only drives consistent sales but also encourages loyal customers to try new products from the brand, spend more, and become advocates for the brand.

What is Brand Loyalty?

- **Consistent Preference:** A consumer's sustained preference for one brand over others.
- **Emotional Connection:** Can involve an emotional bond or a strong sense of satisfaction with a brand.
- **Resistance to Alternatives:** Loyal customers are less likely to switch to competing brands, even when faced with competitor promotions or price increases.

What is Repeat Purchase Behavior?

- **Consistent Buying:** The act of repeatedly purchasing products or services from the same brand over time.
- **Product Familiarity:** Consumers tend to purchase from brands they are familiar with and trust.
- **Increased Loyalty:** Repeat purchases are often a manifestation of a deeper, attitudinal brand loyalty.

SREENIVASA INSTITUTE OF TECHNOLOGY AND MANAGEMENT
STUDIES::CHITTOOR
DEPARTMENT OF MANAGEMENT STUDIES
II MBA III Semester – Elective - II
Consumer Behaviour

Factors Influencing Brand Loyalty and Repeat Purchase Behavior

- **Product Quality:**

High-quality products that meet or exceed customer expectations are a key driver of satisfaction and loyalty.

- **Customer Satisfaction:**

Positive experiences lead to satisfaction, making customers more likely to repurchase.

- **Brand Trust:**

Establishing trust through consistent delivery of quality products and excellent customer service builds a strong foundation for loyalty.

- **Brand Reputation:**

A positive reputation for reliability and value helps foster loyalty.

- **Customer Service:**

Excellent after-sales support and reliable service contribute to long-term customer commitment.

- **Value Delivery:**

Consistently providing value that meets or surpasses expectations is crucial for retaining customers.

- **Emotional Engagement:**

Building emotional connections through personalized experiences and loyalty programs strengthens the customer bond.

Impact of Brand Loyalty

- **Customer Retention:** Loyal customers are more likely to stay with a brand.

- **Increased Profitability:** Long-term loyalty contributes to sustained profitability for businesses.

- **New Product Adoption:** Loyal customers are more willing to try new products from brands they trust and love.

- **Higher Spending:** Loyal customers often spend significantly more on products from their preferred brands.

SREENIVASA INSTITUTE OF TECHNOLOGY AND MANAGEMENT
STUDIES::CHITTOOR
DEPARTMENT OF MANAGEMENT STUDIES
II MBA III Semester – Elective - II
Consumer Behaviour

- **Brand Advocacy:** Satisfied, loyal customers may become brand advocates, recommending the brand to others through positive word-of-mouth.

H VISWA KIRAN

SREENIVASA INSTITUTE OF TECHNOLOGY AND MANAGEMENT
STUDIES::CHITTOOR
DEPARTMENT OF MANAGEMENT STUDIES
II MBA III Semester – Elective - II
Consumer Behaviour

Unit 5

5.1 What is Consumerism?

Consumerism is a social and economic ideology that emphasizes the acquisition and consumption of goods and services as a primary means of achieving personal satisfaction and societal progress. It encourages individuals to continually purchase products and services, often beyond their basic needs, in pursuit of happiness, status, or identity. Consumerism is closely tied to mass production, advertising, and marketing practices, which promote the idea that buying more leads to a better quality of life. However, critics argue that consumerism can lead to environmental degradation, excessive debt, and a focus on material possessions over more meaningful aspects of life.

Impact of Consumerism

I. Positive Impacts of Consumerism

- 1. Economic Growth:** Consumer spending is a significant driver of economic growth. As people buy goods and services, demand increases, leading to increased production, job creation, and a boost to the overall economy.
- 2. Innovation:** The constant demand for new and improved products fuels innovation. Companies invest in research and development to stay competitive, resulting in technological advancements and product improvements.
- 3. Job Creation:** The consumer-driven economy creates job opportunities across various sectors, including manufacturing, retail, marketing, and services. This contributes to lower unemployment rates and overall economic stability.

II. Negative Impacts of Consumerism

- 1. Environmental Degradation:** Overconsumption contributes to environmental problems such as resource depletion, pollution, and increased waste. The production and disposal of goods have significant ecological consequences.

SREENIVASA INSTITUTE OF TECHNOLOGY AND MANAGEMENT
STUDIES::CHITTOOR
DEPARTMENT OF MANAGEMENT STUDIES
II MBA III Semester – Elective - II
Consumer Behaviour

2. Debt and Financial Stress: Consumerism often leads to high levels of personal debt as individuals may borrow to finance their purchases. This can result in financial instability and stress, especially during economic downturns.

3. Social Inequality: Not everyone has equal access to participate in consumer culture. Social disparities can deepen as those with lower incomes may struggle to keep up with the consumption patterns dictated by societal norms.

Advantages of Consumerism

1. Economic Growth: Consumerism is a potent catalyst for economic growth. Increased consumer spending stimulates demand, encouraging businesses to produce more goods and services. This, in turn, leads to higher production levels, job creation, and a thriving economy.

2. Innovation: The constant demand for new products drives innovation. Companies invest in research and development to stay competitive and meet consumer expectations. This innovation not only enhances product quality but also fosters technological advancements and progress.

3. Job Creation: A consumer-driven economy generates employment opportunities across various sectors. From manufacturing and retail to marketing and services, the demand created by consumers directly contributes to job creation, lowering unemployment rates.

4. Improved Standard of Living: Consumerism has historically been associated with an improved standard of living. As people have access to a wide array of goods and services, their overall quality of life can be enhanced through increased convenience, comfort, and choices.

5. Global Trade and Interconnectedness: Consumerism has facilitated global trade and interconnectedness. People can access products and services from around the world, contributing to cultural exchange and allowing individuals to experience a diverse range of goods.

6. Technological Advancements: The demand for the latest and most advanced products fuels technological progress. From smart phones to medical innovations, consumerism plays a role in driving industries to push the boundaries of what is possible.

SREENIVASA INSTITUTE OF TECHNOLOGY AND MANAGEMENT
STUDIES::CHITTOOR
DEPARTMENT OF MANAGEMENT STUDIES
II MBA III Semester – Elective - II
Consumer Behaviour

Disadvantages of Consumerism

- 1. Environmental Degradation:** One of the most significant drawbacks of consumerism is its impact on the environment. The production, distribution, and disposal of goods contribute to resource depletion, pollution, and ecological damage, exacerbating climate change.
- 2. Debt and Financial Stress:** The pursuit of material possessions often leads individuals to accumulate high levels of personal debt. Credit card debt, loans, and installment plans can result in financial stress and instability, especially during economic downturns.
- 3. Social Inequality:** Consumerism can deepen social inequality. Those with higher incomes may have greater access to the latest products and experiences, creating disparities within society. The pressure to conform to consumer norms can lead to financial exclusion for some individuals.
- 4. Throwaway Culture:** Consumerism encourages a throwaway culture where goods are quickly discarded in favor of newer, trendier items. This cycle of constant consumption contributes to the generation of waste and burdens waste management systems.
- 5. Cultural Homogenization:** The globalized nature of consumerism can lead to the homogenization of cultural practices and preferences. Local traditions and unique cultural expressions may be overshadowed by a global consumer culture, resulting in a loss of diversity.
- 6. Materialism and Well-being:** Consumerism is often criticized for fostering materialistic values, where personal worth and happiness are linked to the acquisition of possessions. This emphasis on material wealth can detract from meaningful aspects of life, impacting mental well-being.

5.2 Roots of consumerism

The roots of consumerism in consumer behavior are historical, economic, and psychological, emerging from the Industrial Revolution with mass production and the rise of advertising. After World War II, this was amplified by economic prosperity and the growth of a middle class with disposable income, a desire to signal social status, and the introduction of credit. Psychological

SREENIVASA INSTITUTE OF TECHNOLOGY AND MANAGEMENT
STUDIES::CHITTOOR
DEPARTMENT OF MANAGEMENT STUDIES
II MBA III Semester – Elective - II
Consumer Behaviour

factors like motivation, perception, and learning, combined with social and cultural influences, also drive these behaviors today.

Historical and economic roots

- **Industrial Revolution:** The shift from subsistence living to mass production made goods more accessible and created a basis for a consumer-oriented society.
- **Post-World War II boom:** Economic prosperity, increased production, and a growing middle class with more disposable income fueled spending on new homes, appliances, and other goods.
- **Rise of advertising:** Advertising evolved from informing consumers to persuading them, shaping desires and linking products to success and a modern lifestyle.
- **Credit and planned obsolescence:** The introduction of consumer credit and practices like planned obsolescence encouraged more frequent and excessive purchasing.

Psychological and social roots

- **Conspicuous consumption:** The desire to display wealth and social status through the purchase of goods and services has been a key driver since the 19th century.
- **Motivation:** Consumer behavior is driven by both basic needs and complex psychological drives, such as the need for social status, self-esteem, or novelty.
- **Perception and learning:** How consumers perceive products and brands, often shaped by marketing, and past experiences (positive or negative) all influence future purchasing decisions.
- **Social and cultural factors:** Family, social groups, cultural norms, and personal values all play a significant role in shaping attitudes and consumption patterns.

Modern evolution

- **Technological revolution:** The internet and digital technologies have created new avenues for consumption through e-commerce and social media, while also increasing the ability for personalized advertising.
- **Consumer protection movements:** Consumerism also evolved as a movement to protect consumer rights against the impersonal nature of mass production, though this is distinct from the economic theory of consumerism.

SREENIVASA INSTITUTE OF TECHNOLOGY AND MANAGEMENT
STUDIES::CHITTOOR
DEPARTMENT OF MANAGEMENT STUDIES
II MBA III Semester – Elective - II
Consumer Behaviour

5.3 Consumer safety

Consumer safety involves protecting consumers from harm by ensuring products are not hazardous, while consumer information refers to the consumer's right to receive accurate details about products and services to make informed decisions. Together, these concepts are crucial components of consumer protection, which safeguards consumer well-being and interests against unfair practices and exploitation,

Consumer safety is the right to be protected from the marketing of goods and services that are hazardous to life and property. It encompasses the consumer's right to be protected from dangerous products and includes the expectation that businesses will follow safety norms, provide adequate instructions, and include warning labels where necessary. This concept is a fundamental part of consumer protection law and encourages businesses to ensure their products are safe and consumers can make informed choices without risk.

- **Protection from harm:** Consumers have the right to be protected from products, services, and business practices that could cause injury or be dangerous to their health.
- **Product design and testing:** This includes the expectation that manufacturers test their products, provide clear instructions, and put warning labels on products that are potentially harmful.
- **Informed decisions:** A key aspect of consumer safety is ensuring consumers have enough information to make well-informed decisions and to protect them from fraudulent or unfair practices. For example, getting accurate information about quality, purity, and safety standards is crucial.
- **Redress mechanisms:** Consumer safety also includes the right to seek compensation if harmed by an unsafe product or service.

5.4 Consumer information

Consumer information is the right to have clear, accurate details about a product to make informed decisions. These concepts are intertwined, as providing consumers with adequate information (like safety warnings, quality, and price) is a key part of ensuring safety, alongside government regulations and consumer education.

SREENIVASA INSTITUTE OF TECHNOLOGY AND MANAGEMENT
STUDIES::CHITTOOR
DEPARTMENT OF MANAGEMENT STUDIES
II MBA III Semester – Elective - II
Consumer Behaviour

- **Definition:** The right of consumers to receive all necessary details about a product or service before purchasing it.
- **In consumer behavior:** This includes information on quality, potency, purity, standard, price, and potential risks. Providing this information empowers consumers to make well-informed decisions and protect themselves from unfair practices.
- **Examples:** A nutrition label on food, an instruction manual for an appliance, or a detailed product description that includes features and specifications.

5.5 Environment concerns

Environmental concerns in consumerism include resource depletion, pollution, and waste generation, all driven by the high demand for new products. This cycle leads to problems like deforestation, climate change from greenhouse gas emissions, and the accumulation of massive amounts of trash in landfills and oceans. Practices like planned obsolescence, where products are designed to have a short lifespan, exacerbate these issues by forcing consumers to buy replacements more frequently.

Resource depletion

- **Over-extraction:** Consumer demand for products leads to the excessive extraction of natural resources like minerals, timber, and water.
- **Deforestation:** The need for raw materials such as paper and palm oil contributes to mass deforestation.
- **Water consumption:** Producing goods, like a single pair of jeans, requires thousands of liters of water, depleting vital water resources.

Pollution and waste

- **Waste generation:** Constant purchasing creates a massive influx of waste, much of which ends up in landfills or the environment, harming wildlife.
- **Greenhouse gases:** The production and disposal of consumer goods, especially those made with fossil fuels and energy-intensive processes, release significant greenhouse gases that contribute to climate change.

- **Water pollution:** Processes like textile dyeing are a major source of industrial water pollution worldwide.

Unsustainable practices

- **Planned obsolescence:** Manufacturers design products to fail or become outdated after a short period, forcing repeat purchases and accelerating the cycle of production and waste.
- **Fast fashion:** The rapid turnover of trendy clothing results in huge amounts of textile waste and high carbon emissions from production and transportation.
- **Linear economy:** The "take-make-waste" model of consumerism relies on a linear system that is unsustainable on a finite planet.

Driving factors

- **Advertising:** Advertising encourages constant desire for new products, making consumers feel they need things they don't actually need, which fuels the cycle of consumption.
- **Short lifecycles:** Modern production methods and a desire for newness lead to short product lifecycles, increasing the rate at which items are discarded.

5.6 Consumer privacy (customer privacy)

Consumer privacy, also known as customer privacy, involves the handling and protection of the sensitive personal information provided by customers in the course of everyday transactions. The internet has evolved into a medium of commerce, making consumer data privacy a growing concern.

This form of information privacy surrounds the privacy and protection of a consumer's personal data when collected by businesses. Businesses implement standards for consumer privacy to conform to local laws and to increase consumer trust, as many consumers care about the privacy of their personal information.

Consumer privacy issues

Personal information, when misused or inadequately protected, can result in identity theft, financial fraud and other crimes that collectively cost people, businesses and governments millions of dollars each year.

SREENIVASA INSTITUTE OF TECHNOLOGY AND MANAGEMENT
STUDIES::CHITTOOR
DEPARTMENT OF MANAGEMENT STUDIES
II MBA III Semester – Elective - II
Consumer Behaviour

Common consumer privacy features offered by corporations and government agencies include the following:

- Do-not-call lists.
- Verification of transactions by email or telephone.
- Technologies for email.
- Passwords and multifactor authentication.
- Encryption and decryption of electronically transmitted data.
- Opt-out provisions in user agreements for bank accounts, utilities, credit cards and other similar services.
- Digital signatures.
- Biometric identification technology.

The popularity of e-commerce and big data in the early 2000s cast consumer data privacy issues in a new light. While the World Wide Web Consortium's Platform for Privacy Preferences Project (P3P) emerged to provide an automated method for internet users to divulge personal information to websites, the widespread gathering of web activity data was largely unregulated. Additionally, P3P was only implemented on a small number of platforms.

5.7 Legislative responses to consumerism

Legislative responses to consumerism focus on protecting consumers through laws like the Consumer Protection Act, which establishes rights, creates a dispute resolution system, and penalizes unfair practices. Recent legislation, such as the Consumer Protection Act of 2019, has evolved to address modern challenges like e-commerce and the digital economy, while also creating a centralized authority to enforce consumer rights more effectively.

Important legislative responses

- **Establishment of consumer rights:** Legislation formally defines and enforces consumer rights, such as the right to safety, information, choice, representation, redressal, and education.
- **Grievance redressal mechanisms:** Laws create multi-tiered forums at district, state, and national levels to provide a quicker and more affordable way for consumers to resolve disputes with businesses.

SREENIVASA INSTITUTE OF TECHNOLOGY AND MANAGEMENT
STUDIES::CHITTOOR
DEPARTMENT OF MANAGEMENT STUDIES
II MBA III Semester – Elective - II
Consumer Behaviour

- **Regulation of unfair practices:** Laws penalize unfair trade practices, deceptive advertisements, and the sale of defective goods and services.
- **Centralized enforcement:** Modern legislation, like the Consumer Protection Act of 2019, establishes a Central Consumer Protection Authority (CCPA) with powers to investigate violations, issue penalties, order recalls, and launch class-action lawsuits.
- **Adaptation to modern markets:** Newer acts are designed to address the unique challenges of the digital age, including regulations for e-commerce and online transactions.
- **Consumer awareness and education:** Legislation often includes provisions to educate consumers about their rights and responsibilities.

5.8 Marketers' Responses to Consumer Issues

As consumers have become more aware of their rights and more concerned about the impact of business activities, marketers have had to change the way they operate. In the past, many companies focused mainly on increasing sales and profits, sometimes at the expense of consumer welfare. However, due to rising consumer awareness, government regulations, and public pressure, marketers now take consumer issues much more seriously. Their responses can be seen in several key areas.

1. Ethical and Truthful Marketing

One of the main consumer issues is misleading advertising and false product claims. Today, marketers are expected to promote their products honestly and ethically. This means avoiding exaggerations, false promises, and hidden information. Many companies follow advertising codes of conduct and ensure that their messages are truthful and clear. Labels on products now include accurate information about ingredients, prices, and safety precautions. Ethical marketing helps build consumer trust and long-term loyalty.

2. Product Safety and Quality

Consumers expect safe, reliable, and high-quality products. In response, marketers work closely with production teams to ensure that all products meet safety standards. They also test products before releasing them to the market. When problems occur, responsible companies recall faulty products and take corrective action. For example, car manufacturers sometimes recall vehicles to

SREENIVASA INSTITUTE OF TECHNOLOGY AND MANAGEMENT
STUDIES::CHITTOOR
DEPARTMENT OF MANAGEMENT STUDIES
II MBA III Semester – Elective - II
Consumer Behaviour

fix safety defects. By doing this, marketers show that they value consumer well-being over short-term profits.

3. Fair Pricing Practices

Unfair pricing, overcharging, and hidden costs are common consumer complaints. To address this, marketers now use transparent pricing strategies. Prices are clearly displayed, and consumers are informed about discounts or extra charges. Some companies also use value-based pricing, where prices reflect the true worth or benefits of the product. Fair pricing not only satisfies consumers but also promotes honesty and trust in the marketplace.

4. Environmental and Social Responsibility

Modern consumers are concerned about the environment and the social impact of business activities. Marketers respond by adopting sustainable and eco-friendly practices. Many companies use recyclable or biodegradable packaging, reduce waste, and promote energy-efficient products. They also participate in corporate social responsibility (CSR) programs such as tree planting, supporting education, or donating to charities. Green marketing—promoting products that are environmentally friendly—has become a popular way for marketers to attract conscious consumers while helping protect the planet.

5. Protection of Consumer Privacy

With the growth of online marketing, data protection and privacy have become major concerns. Marketers collect consumer information to personalize advertisements, but they must do so responsibly. Companies now follow privacy laws such as the GDPR and provide options for consumers to control how their data is used. Ethical marketers ask for permission before sending promotional messages and ensure that personal information is kept secure.

6. Consumer Education and Transparency

Another important response to consumerism is increasing consumer awareness and knowledge. Marketers now focus on educating customers about how to use products safely and responsibly. They also share information about how and where their products are made. For example, food companies provide nutritional information on packaging, and clothing brands may disclose the

SREENIVASA INSTITUTE OF TECHNOLOGY AND MANAGEMENT
STUDIES::CHITTOOR
DEPARTMENT OF MANAGEMENT STUDIES
II MBA III Semester – Elective - II
Consumer Behaviour

origins of their materials. Transparency helps consumers make informed choices and strengthens the company's reputation.

7. Responsiveness to Consumer Feedback

Today's consumers have many ways to share their opinions, especially through social media. Marketers pay close attention to consumer feedback and reviews to improve their products and services. Many companies have customer service departments, helplines, and online chat systems to handle complaints quickly. Responding to feedback shows that marketers value customer opinions and are willing to make changes to meet their needs.

8. Promoting Social and Ethical Causes

Many companies now engage in social or ethical marketing to show that they care about society. They may support campaigns against discrimination, promote gender equality, or donate part of their profits to charity. For example, some shoe companies donate a pair of shoes for every purchase made, and others run awareness campaigns on mental health or body positivity. Such actions help companies build a positive public image while contributing to social good.

5.9 Consumer protection Act 2019

The **new Consumer Protection Act, 2019** came into force on **20th July 2020** and it will empower consumers and help them in protecting their rights through its various notified rules and provisions.

- The new act will be swift and less time consuming compared to the **older Consumer Protection Act, 1986** in which single-point access to justice was given making it a time-consuming exercise.
- The old act provided for a **three-tier consumer dispute redressal machinery** at the **National (National Consumer Disputes Redressal Commission), State and District** levels.

SREENIVASA INSTITUTE OF TECHNOLOGY AND MANAGEMENT
STUDIES::CHITTOOR
DEPARTMENT OF MANAGEMENT STUDIES
II MBA III Semester – Elective - II
Consumer Behaviour

- The Consumer Protection Act, 2019 establishes the **Central Consumer Protection Authority (CCPA)** whose primary **objective** will be to promote, protect and enforce the rights of consumers.
 - **It is empowered to:**
 - Conduct investigations into violations of consumer rights and institute complaints/prosecution.
 - Order recall of unsafe goods and services.
 - Order discontinuance of unfair trade practices and misleading advertisements.
 - Impose penalties on manufacturers/endorsers/publishers of misleading advertisements.
- **Rules on E-commerce and Unfair Trade Practices:** The government will notify the **Consumer Protection (E-commerce) Rules, 2020** under the Act whose broad provisions are given below.
 - **E-commerce entities are required to provide information** to consumers, relating to return, refund, exchange, warranty and guarantee, delivery and shipment, modes of payment, grievance redressal mechanism, payment methods, security of payment methods, charge-back options and country of origin.
 - These are necessary for **enabling the consumer to make an informed decision** at the pre-purchase stage.
 - These platforms will have to **acknowledge the receipt of any consumer complaint within 48 hours** and **redress the complaint within one month** from the date of receipt. They will also have to appoint a grievance officer for consumer grievance redressal.
 - The Consumer Protection (E-commerce) Rules, 2020 are **mandatory and are not advisories**.

SREENIVASA INSTITUTE OF TECHNOLOGY AND MANAGEMENT
STUDIES::CHITTOOR
DEPARTMENT OF MANAGEMENT STUDIES
II MBA III Semester – Elective - II
Consumer Behaviour

- Sellers **cannot refuse to take back goods or withdraw services or refuse refunds**, if such goods or services are defective, deficient, delivered late, or if they do not meet the description on the platform.
- The rules also **prohibit the e-commerce companies from manipulating the price** of the goods or services to gain unreasonable profit through unjustified prices.
- **Product Liability:**
 - A manufacturer or product service provider or product seller will be held **responsible to compensate for injury or damage** caused by defective product or deficiency in services
 - **Basis for product liability action:**
 - Manufacturing defect.
 - Design defect.
 - Deviation from manufacturing specifications.
 - Not conforming to express warranty.
 - Failing to contain adequate instructions for correct use.
 - Service provided-faulty, imperfect or deficient.
 - **Punishment for Manufacture or Sale of Adulterated/Spurious Goods:**

In case of the first conviction, a competent court may suspend any licence issued to the person for a **period of up to two years** and in case of second or subsequent conviction, may **cancel the licence permanently**.
- **Alternate Dispute Resolution Mechanism of Mediation:**
 - A complaint will be referred by a Consumer Commission for mediation, wherever scope for early settlement exists and parties agree for it.
 - The mediation will be held in the **Mediation Cells** which will be established under the aegis of the **Consumer Commissions**.
 - There will be **no appeal against settlement through mediation**.
- **Simplification of the Consumer Dispute Adjudication Process:**
 - **Empowering the State and District Commissions to review their own orders.**

SREENIVASA INSTITUTE OF TECHNOLOGY AND MANAGEMENT
STUDIES::CHITTOOR
DEPARTMENT OF MANAGEMENT STUDIES
II MBA III Semester – Elective - II
Consumer Behaviour

- Enabling a consumer to file complaints electronically and in consumer commissions that have jurisdiction over the place of his residence.
- Video-conferencing for hearing and deemed admissibility of complaints if the question of admissibility is not decided within the specified period of 21 days.
- **Other Rules and Regulations:**
 - As per the **Consumer Disputes Redressal Commission Rules**, there will be **no fee for filing cases up to Rs. 5 lakh**.
 - The credit of the amount due to unidentifiable consumers will go to the **Consumer Welfare Fund (CWF)**.
 - State Commissions will furnish information to the Central Government on a quarterly basis on vacancies, disposal, the pendency of cases and other matters.
 - Apart from these general rules, there are **Central Consumer Protection Council Rules**, provided for the constitution of the **Central Consumer Protection Council (CCPC)**.
 - It will be an **advisory body** on consumer issues, headed by the Union Minister of Consumer Affairs, Food and Public Distribution with the Minister of State as Vice Chairperson and 34 other members from different fields.
 - It will have a **three-year tenure** and will have Minister-in-charge of consumer affairs from two States from each region- North, South, East, West, and North-East Region.

SREENIVASA INSTITUTE OF TECHNOLOGY AND MANAGEMENT
STUDIES::CHITTOOR
DEPARTMENT OF MANAGEMENT STUDIES
II MBA III Semester – Elective - II
Consumer Behaviour

CONSUMER PROTECTION ACT 1986	PROVISIONS	CONSUMER PROTECTION ACT 2019
No separate regulator	Regulator	Central Consumer Protection Authority (CCPA) to be formed
Complaint could be filed in a consumer court where the seller's (defendant) office is located	Consumer court	Complaint can be filed in a consumer court where the complainant resides or works
No provision. Consumer could approach a civil court but not consumer court	Product liability	Consumer can seek compensation for harm caused by a product or service
District: up to ₹20 lakh State: ₹20 lakh to ₹1 cr National: above ₹1 cr	Pecuniary jurisdiction	District: up to ₹1 cr State: ₹1 cr to ₹10 cr National: Above ₹10 cr
No provision	E-commerce	All rules of direct selling extended to e-commerce
No legal provision	Mediation cells	Court can refer settlement through mediation

5.10 Consumer Disputes Redressal Commission

A Consumer Disputes Redressal Commission is a quasi-judicial body in India that provides a three-tier system for resolving consumer disputes at the district, state, and national levels. These commissions were established under the Consumer Protection Act to ensure speedy and inexpensive resolution of consumer complaints, allowing consumers to file cases for matters involving a certain monetary value at each respective level. The national commission is the apex body, hearing cases valued above a specified amount and hearing appeals from the state commissions.

Structure and jurisdiction

- **District Commission:** Hears cases up to a certain value. A consumer can file a complaint in the district where they reside or work.
- **State Commission:** Hears cases with a value higher than the district commission's limit, up to a certain value. It also hears appeals from the district commissions.
- **National Consumer Disputes Redressal Commission (NCDRC):** The apex body, established in 1988, which handles cases valued above a specific amount and hears appeals from state commissions.

- **Jurisdiction:** As per the Consumer Protection Act, 2019, the NCDRC hears complaints valued over ₹10 crore and also has appellate and revisional jurisdiction from the State Commissions.
- **Leadership:** It is headed by a sitting or retired judge of the Supreme Court of India or a sitting or retired Chief Justice of a High Court.

Key functions and features

- **Consumer protection:** The commissions exist to protect the rights of consumers and provide a method of alternate dispute resolution.
- **Affordable and fast resolution:** The system is designed to offer inexpensive and speedy resolution of disputes.
- **Consumer-friendly process:** The process is consumer-friendly, allowing consumers to file complaints and present their arguments in person without needing a lawyer.
- **Legal aid:** Legal aid is provided free of charge in genuine cases for consumers who cannot afford to engage a lawyer at the national commission level.