

# CONSUMER BEHAVIOUR

**MASTER OF BUSINESS ADMINISTRATION (MBA)**

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**DEPARTMENT OF DISTANCE AND CONTINUING EDUCATION  
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## CONSUMER BEHAVIOUR

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# Introduction

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## STRUCTURE

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### 1.1 Learning Objectives

- ◆ To understand the term, consumer behaviour.
- ◆ Appreciate the relevance of consumer behaviour in the field of marketing.
- ◆ Appreciate that Consumer Behaviour is integral to business management.
- ◆ Understand the Howard and Sheth theory of Buying Behaviour.
- ◆ Understand the Engel, Kollat and Blackwell model of consumer behaviour.
- ◆ Understand the Nicosia model of consumer behaviour.
- ◆ Explore the behaviour of consumers in the digital world.
- ◆ Analyse the behaviour of consumers in the social sector.



## 1.2 Introduction

Let us discuss about your thoughts on Activity 1.

It is highly unlikely that you would be buying the same brand of shampoo over the last 5 years. Why did you change your brand? You had made a rational decision when deciding to buy a particular brand 5 years back. Why did you change your preference?

The likely reasons will be very rational – the new brand is very good, it has great ingredients, there were issues with the earlier brand.

And all these reasons are perfectly fine.

But then, why everyone in your home uses a different brand? Why is a particular brand not suitable for others?

### ACTIVITY 1

Take a moment and reflect on the brands that you use commonly at home. Say, the brand of shampoo that you use.

**Your Consumption:** Which brand of shampoo did you buy the last time? What was the pack size – was it a sachet, or a 50 ml bottle, or a 100 ml bottle, or 250 ml bottle? Do you always use this brand, or do you use different brands, specific to usage? Which brand do you use when travelling?

**Family Consumption:** Does everyone in your family use the same brand of shampoo? Does everyone in the family uses the same pack?

**Changes Over Time:** Which brand were you using 2 years back? Was it the same brand? And 5 years back? Has there been any change in the pack size that you buy?

Let us focus on Activity 2.

What did you observe in the advertisements? Many changes would be visible to the naked eye. It is highly likely you might be finding the older ads very amusing. Why is it so?

Let us look at another aspect. What is marketing? As per the definition approved in 2017 by AMA (American Marketing Association).

## INTRODUCTION



Notes

*Marketing is the activity, set of institutions, and processes for creating, communicating, delivering, and exchanging offerings that have value for customers, clients, partners, and society at large.*

The core concept of marketing is to offer value to the customers (in case of B2C), and to the clients (in case of B2B). The foundational element is to understand the needs of the consumers, and then meeting them.

The preceding discussion brings out two important points:

- (a) It is extremely critical for the companies to understand the behaviour of their consumers.
- (b) Taste and preferences of the consumers and their buying behaviour keeps on changing.

### ACTIVITY 2

Appreciate how the advertisement for a product have changed over the years.

Please select a brand that you use – say of tea, or of noodles, or of TV.

The only criteria in selecting the brand(s) are that it should have been in the market for over 20 years. The reason for this criterion is to help in seeing the differences better.

Now use a search engine to find out the advertisement – both in the print and the TV media. Select a few advertisements from the current period. Now select advertisements for the same brand from 20 years back.

Compare the advertisements published 20 years ago with the advertisements of the same brand in the current year. Do you observe any change?

See every element of the ads very carefully. Who is the protagonist? What dress are they wearing? If it is a home environment, then how is the home decorated? What is the placement of the different gadgets? Ask your parents about the older advertisements – do they remember it? What was their opinion of the advertisement when they were being promoted by companies?

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## 1.3 Linkages of Consumer Behaviour to Marketing

The earlier section mentions that consumer behaviour is important. This section delves deeper into it.

The first concept studied in marketing is invariably the 4P's of marketing – the product, the price, the place, and the promotion. They will be reviewed in this section. It will be from the perspective of a marketing company.

### 1.3.1 Product

Phillip Kotler and Gary Armstrong (2012) define product as:

*“... anything that can be offered to a market for attention, acquisition, use, or consumption that might satisfy a want or need. Products include more than just tangible objects, such as cars, computers, or cell phones. Broadly defined, “products” also include services, events, persons, places, organizations, ideas, or a mixture of these.”*

Kotler and Keller (2006) further add:

*“Many people think that a product is a tangible offering, but a product can be more than that. A product is anything that can be offered to a market to satisfy a want or need. Products that are marketed include physical goods, services, experiences, events, persons, places, properties, organizations, information, and ideas.”*

Product is one of the most important decisions to be made by the marketer. Ultimately, it is the product that is being consumed. It is the product that determines to a great extent, the satisfaction of users with the company. There are many important questions that the marketer needs to ask. What should be the composition of the product? What should be its form factor?

**Example:** An established company is extremely popular in the energy drinks market. It now wants to expand into a related category – say, biscuits. What should be the composition of the biscuits? Should it have more chocolate taste, or should it have more malt in it? Should it pack in plastic, or in a paper wrap?

Let us take three popular brands of soft drinks in the cola segment – Coca Cola, Pepsi and Thums Up. It is highly unlikely that you would say that they all have the same taste. Why did the company design the products differently?



Let us consider mobile phones. How many brands does Samsung retail in the Indian market?

How does a company decide what product to launch?

Going back to the core concepts of marketing, a company launches a product that the consumers want. But what do the consumers want?

This is one of the most critical questions. And the answer to it leads directly to Consumer Behaviour. If a company understands the behaviour of their consumers, then they will be able to design the product or service to meet their need in an effective manner.

### 1.3.2 Price

Phillip Kotler and Gary Armstrong (2012) define price as:

“In the narrowest sense, **price** is the amount of money charged for a product or a service. More broadly, price is the sum of all the values that customers give up to gain the benefits of having or using a product or service.”

Price that we pay in the market is determined by 4 factors:

- (a) Product cost,
- (b) Price for similar products in the market place,
- (c) Value of the intangible benefits, and
- (d) Brand equity.

The last component is very critical. In simple terms, brand equity represents the additional amount that a consumer is willing to pay for a brand vis-à-vis a generic/commoditized brand. It can be argued that Brand Equity is an intangible benefit for the consumer. However, for explaining the point in this discussion, it has been kept separately.

Every company wants to be in the sweet spot of owning a brand that commands tremendous brand equity. It does not want to price its product/service low, and leave money on the table. And neither would it want to price it high – to allow competition to step in.

The important question here is what goes on in the mind of the consumers that they are willing to pay a premium for a particular brand. This again leads us directly to consumer behaviour.



### 1.3.3 Place

The channel to make the product available to the consumers is another important decision for the marketer. As per, Kotler and Keller (2006):

Most producers do not sell their goods directly to the final users; between them stands a set of intermediaries performing a variety of functions. These intermediaries constitute a marketing channel (also called a trade channel or distribution channel). Formally, marketing channels are sets of interdependent organizations involved in the process of making a product or service available for use or consumption. They are the set of pathways a product or service follows after production, culminating in purchase and use by the final end user.

Where should the product be placed? Should it be at a premium mall or a premium store, or at the mass-market or discount stores?

The store where you sell your product directly reflects with the image that your product will take. The type of products that you will find in Nature's Basket is going to be very different from the product range available in a Reliance Select or a D'Mart store.

#### ACTIVITY 3

Explore the 3 websites:

(a) Niche retailers: <https://www.naturesbasket.co.in/>

(b) Mass retailers: <https://www.dmart.in/> or <https://www.jiomart.com/>

Compare the merchandise retailed by these stores. Do you observe any difference?

Compare the prices of similar products, say Alphonso mangoes.

How is the look and feel of the websites? Is there any perceptible difference?

### 1.3.4 Promotion

The company has developed a product that it feels will help in meeting certain specific needs of their consumers. It has also decided on the channel through which it will reach its target consumers. The next big



question is informing the consumers about the product. Consumers need to be made aware of the unique benefits of the product. The various ways in which the marketer conveys their message to the consumers is called as the Promotion Mix.

Phillip Kotler and Gary Armstrong (2012) define Promotion Mix as:

“A company’s total **promotion mix**—also called its **marketing communications mix**—consists of the specific blend of advertising, public relations, personal selling, sales promotion, and direct-marketing tools that the company uses to persuasively communicate customer value and build customer relationships. The five major promotion tools are advertising, sales promotion, personal selling, public relations, and direct marketing.”

It is important for the marketer to promote their product. After all, even the best product in the world needs to be promoted. Should they use one-on-one targeted communication? Or should it go for mass-media? Mass media options have exploded in the last two decades – and there are so many options. Should the company use digital channels (E.g., advertise on websites) or should it go the traditional route – advertise in newspapers and TV? Should it use radio as a medium?

There are so many options. What should the company do? The only way forward is to understand the consumers – and understand their media preferences. After all, the company is advertising their products to be able to communicate with their consumers. So, it is imperative for the marketer to be present where its consumers are.

## 1.4 Linkages of Consumer Behaviour to other Aspects of Marketing

Almost all aspects of marketing are integrally linked with consumer behaviour. Let us look at the important ones.

### 1.4.1 Marketing Analytics

Understanding the behaviour of customers is at the heart of analytics. The field of marketing analytics helps in the quantitative understanding of the consumers. After all, numbers do not lie.



## Notes

A customer can mis-quote his/her income and say that they earn Rs. 5,000 per month. But if it is observed from their shopping behaviour that they are buying broccoli every week, it can be surmised that their income is very likely to be more than Rs. 5,000 a month.

### 1.4.2 Brand Management

Brand Management and Consumer Behaviour are again, very closely intertwined. Brand Management includes various aspects discussed above in the section on 4Ps. It involves creating and maintaining the identity of a brand, designing its logo, developing appropriate packaging, developing appropriate advertisements and social media content.

There is a symbiotic relationship between Brand Management and Consumer Behaviour.

Brand Management can influence behaviour of consumers, by influencing the way consumer perceive and relate to the brand. By creating a positive and memorable brand identity, companies can increase brand awareness and loyalty, which can translate into increased sales and customer retention.

And consumer behaviour has an important influence on brand management. Understanding of behaviour of their consumers, helps the companies to identify market trends and preferences, the consumer pain-points. These help in determining the appropriate brand strategy and messaging. A deep understanding of these aspects also leads to more effective marketing campaigns, better product design, and improved customer service, all of which can help build a stronger brand over time and gain competitive position in the marketplace.

In nut-shell, the goal of brand management is to make the brand favourable to the consumers – thus influencing their behaviour. And this cannot be achieved unless the consumers are understood well.

### 1.4.3 Advertising and Sales Promotion

Advertising is all about creating and delivering the key brand messages to the consumers by using the appropriate media channels. It can have multiple goals – it could be to increase brand awareness, inform the customers about the availability of the product, benefits of the products



and its key features, or it could be to create a positive brand perception in the mind of the consumers. As you will observe, these are long term activities. This is also your answer if you have ever wondered why companies advertise their brands so heavily.

Sales Promotions, on the other hand, is short-term in nature. Its goal is to stimulate sales. So, the various sales promotion tactics include discounts, coupons, free-samples, contests, product bundling and other incentives to make the product attractive to the consumers to buy. The objective here is to get the consumers to use the brand – and the positive experience will hopefully get them to buy the brand again.

As you will observe, having a good and in-depth understanding of consumers is a foundational element here. And again, it is a symbiotic relationship. Advertising and Sales Promotion helps in developing customer perceptions and attitudes. And these, in-turn, influences the behaviour of the consumers in the market place.

#### 1.4.4 *Customer Relationship Management (CRM)*

It is critical for any company to manage its interactions with their consumers – both current and potential. Principles of CRM guides the companies in this direction. The foundation of CRM is based on understanding the preferences and needs of consumers, in short, understanding their behaviour. This understanding is used to craft strategy and policies that determine the emotional connect that consumers will have with the brand. At its heart, CRM helps to improve customer relationship and gets them to engage with the brand over time.

As can be imagined, CRM again has a symbiotic relationship with consumer behaviour. The CRM strategies help in determining the behaviour of the consumers towards the brand/company, and the understanding of behaviour helps in developing the appropriate CRM solutions.

Not all customers are the same. Some of them are more profitable, as compared to others. Some of the customer always prefer premium products, while others might always be going in for cheaper alternatives. Should the company treat all of them in a similar manner? If it does so, the more profitable customers will either move to competitors, or downgrade



## Notes

their purchases to the lower-priced options. CRM helps in differentiating the customers and treating them differently.

E.g., telecom operator, like Vodafone or Airtel, have pre-paid and post-paid customers. Would they all be treated similarly? Similarly, a bank has different types of credit-card owners. They have the silver card-owners, gold card-owners, and platinum card-owners. There has to be a differentiation in the customer engagement strategy for these customers.

### 1.4.5 Retail Marketing

Retail marketing is the last-mile strategy of the company in their journey to reach their consumers in an effective way – the strategies and tactics that retailers use to promote their products and services to customers and influence their purchasing behaviour.

Retail marketing is critically dependent on the understanding of consumer behavior. The retail marketing strategies are designed to create brand awareness and effectively communicate the value proposition of a product or service to the consumers. The various in-store advertising mediums will come in handy here. The retail environment also has an influence. A great shopping experience will create a positive impact on the brand thus modifying the behaviour of the customer in favour of the brand. A visually appealing store, excellent customer service, and efficient utilization of customer time will undoubtedly have a positive rub-off on the brand. Think about your experience in Shoppers Stop *vis-à-vis* Big Bazaar. And lastly, as discussed above, the incentives offered by a brand at the point of sale, accelerates the buying decision. Incentives can have both positive and negative implications. Positive, because it gets the consumers to try the brand, and thus helps in creating first hand experiences. Negative, because the brand gets associated with price competitiveness. This can have an adverse impact on the sales, when the discount is removed later.

E.g., one reason for the growing e-commerce business is the high discounts offered by the e-commerce websites. Would the customers continue to shop on the e-commerce websites when the discounts are removed? The jury is still out on this question.



### 1.4.6 Sales and Distribution Management

A wonderful product can be designed by the company. However, distribution is an important factor that determines if the product will be a success or not.

There are many examples of companies getting into collaboration to utilize the distribution network of their partners. The most prominent example is the tie-up between P&G and Godrej Consumer Products in the early 80's of the last century. P&G was entering India - and would have required significant effort and resources – both in terms of time and money – to develop an effective distribution network. Instead, it collaborated with Godrej, riding on their distribution network. Alongside, they worked on establishing their own distribution network.

The four R's come into picture here. Reaching the Right consumer through the Right channel at the Right time is critical (*in the Right format – but this point has been covered earlier*). The sales and promotion strategy of the company also has an impact here. This is the critical last mile business strategy of the company – and has significant impact on the consumer perception of the brand.

### 1.4.7 Marketing Research

Marketing research is the process of gathering and analyzing data related to consumer behaviour and market trends. The goal of marketing research is to help companies better understand their target customers, identify market opportunities, and make informed business decisions.

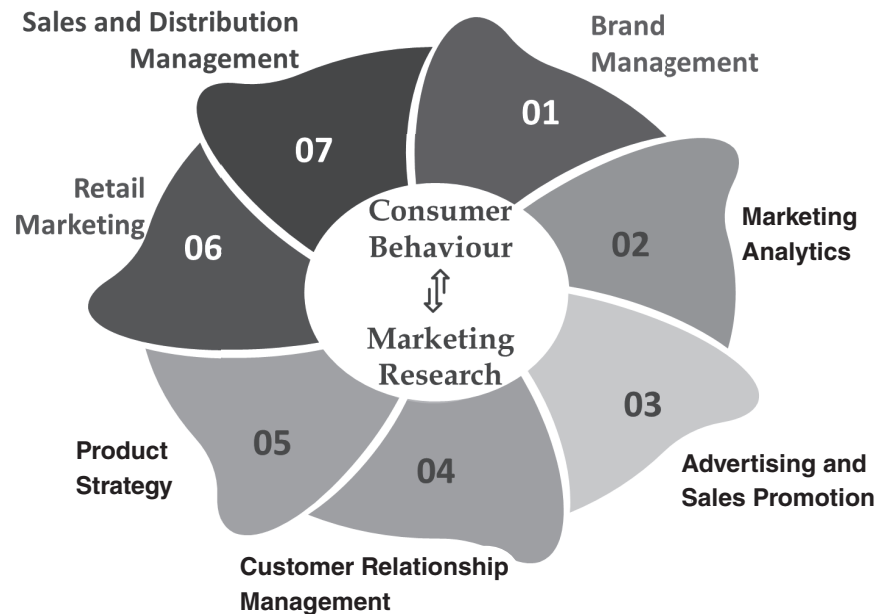
Based on the discussion in the earlier passages, the readers would appreciate the criticality of marketing research to consumer behaviour. Consumer behaviour wants to understand the consumer. Marketing research provides the methodology to understand it. Both these streams are incomplete without the other.

Readers would appreciate the battle that the companies have on their hand. After all, the consumers are same across multiple brands. And all the brands are trying to influence the behaviour of consumers. So, the message of a particular brand can get drowned in the crowded media. Or the other brands can create a negative perception of your brand. The



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only way to get around it is to understand the consumers in-depth, and to use innovative methods to connect with them.



**Figure 1.1: Linkages of Consumer Behaviour to other Aspects of Marketing**

### 1.5 Why is Consumer Behaviour Important?

The discussion in the earlier sections clearly shows the importance of Consumer Behaviour. Here are some of the benefits that a company can derive by investing in understanding their consumers better.

- (a) Understanding the consumer preferences and needs.
- (b) Developing effective marketing strategies.
- (c) Identifying new business opportunities— as the organization understands the changing market and consumer trends, they will be better in identifying the emerging business opportunities.
- (d) Fostering a culture of learning and innovation.
- (e) Improve satisfaction amongst our consumers. Thus, helping in developing the brand equity. And increasing the loyalty among our customers.



- (f) Improved business performance. By understanding the consumers, a company is able to address their needs and requirements in a better manner. This helps in meeting the challenges posed by the competitors.

### ***1.5.1 Is Behaviour Constant, or Does It Change? If It Changes, Then How Does It Change?***

Why is consumer behaviour not constant? Why does it keep on changing/shifting? To understand this phenomenon, it is required to investigate deeper into what constitutes the behaviour.

There are **4 sets of factors** that impact the behaviour of consumers.

#### ***1.5.1.1 Personal Factors***

The motivations, desires, attitudes, knowledge and perceptions of consumers keep on evolving every single day. This is because of the circumstances as well as because of the media we interact with.

E.g., any changes in the personal life will change their behaviour. Changes in their job – either a promotion, or a dismissal will have a significant impact on behaviour.

#### ***1.5.1.2 Social Factors***

Human being is a social animal. They want to conform to the societal norms. This has a direct influence on their behaviour. If they purchase a not-so-popular brand of shoes, they will likely try to make it as inconspicuous as possible. On the other hand, they will flaunt the brands that will reflect them in a better light and get them the appreciation of their friends and relatives.

#### ***1.5.1.3 Situational Factors***

The purchase circumstances and the shopping scenario also influence the manner in which the customers behave.

E.g., the pandemic of 2020 has impacted our behaviour significantly – changing it in a new direction. Consumer might have become more health conscious. We are now more likely to purchase products that claim to be ‘healthier’ compared to other products.



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### 1.5.1.4 Marketing Strategy

The direction of the company also has an influence on the behaviour of the consumers. E.g., Maruti Suzuki has invested significant resources in improving the fuel efficiency of their cars. This is communicated effectively in their advertisements as well. So, fuel efficiency is among the initial set of adjectives that is associated with Maruti Suzuki.

The interesting aspect about these 4 sets of factors is that they are never constant and keep on changing (Figure 1.2).

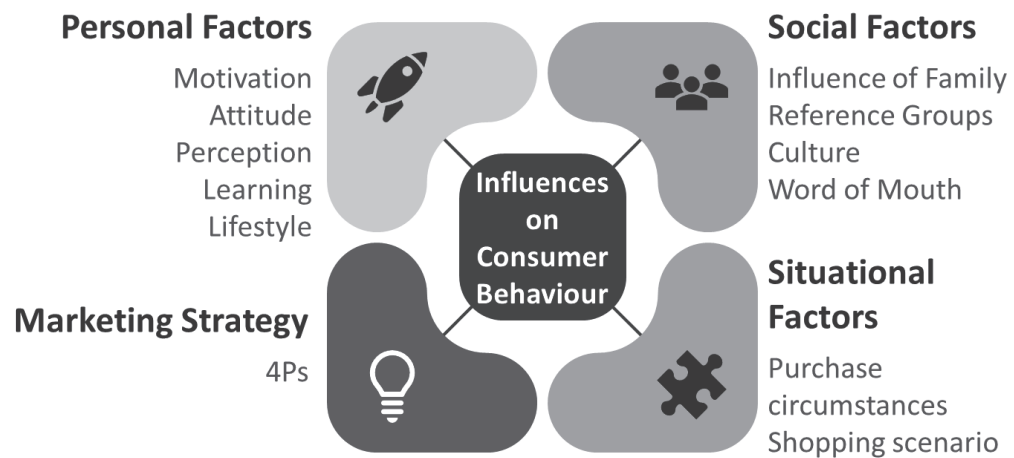


Figure 1.2: Influences on Consumer Behaviour

## 1.6 Theory of Reasoned Action

Martin Fishbein and Icek Ajzen developed this theory in 1967. It relies heavily on social psychology.

The model tries to explain the linkage between attitude and behaviour. So as per this theory, behaviour of customers stems from their attitude.

Every consumer has certain attitude. E.g., Indians believe that the electronic products of Japan and United States of America are significantly better than those produced in India. This is the reason we see so many brands of Japan and United States of America dominating the Indian electronics market. These are perceptions of the consumers, and hence are termed as subjective norms.



Attitude of consumers combines with the subjective norms and determines their behavioural intentions. An example of subjective norms is the price-quality relationship. E.g., many people believe that a costlier product is likely to be superior to a lower priced product. Or for example, we believe that the brands we are familiar with are superior to the brands we have never heard of. This is one of the reasons that companies spend a fortune in advertising, and monitor very closely the percentage of their target consumers who are not aware of their brand.

The behavioural intention determines the behaviour of consumers.

So why does the behaviour of consumers change?

Attitudes change. And hence the behaviour also keeps on changing. E.g., 30 years back, there was craze among Indians for foreign products. Foreign products were considered superior to the ones available in India. However, this attitude might no longer be there. So, you will see a change in the behaviour of the consumers.

## 1.7 Howard and Sheth, Theory of Buying Behaviour

John A. Howard and Jagdish N. Sheth have attempted to explain the very complex buying behaviour of the consumers. They have described it as a Theory of Buying Behaviour. This theory is detailed below.

### 1.7.1 Purpose

There are 2 purposes of the theory of buying behaviour:

- (a) Explain the buying behaviour of individuals over a period of time.
- (b) Explain the *brand choice* behaviour of the buyer.

### 1.7.2 Assumptions

The theory has certain assumptions.

1. The consumer buying behaviour is rational. This rationality is dependent on certain personal factors – like the thinking ability of the buyer, and the learning capabilities. These two factors together decide the information that the consumer is likely to have, and is likely to process. Rationality is bounded by this factor.



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2. Authors have tried to develop that attempts to describe the real-life behaviour. It does not try to describe the “ideal” way. So, it is a positive theory, and not normative.
3. Viewed by an outsider, the brand choices of consumers might look random. However, considering it from the perspective of the individual, the choices are all systematic. And because the choices are systematic, they can be observed and discerned.
4. There are certain instigators to the behaviour, and there is a result of the choice behaviour. This theory attempts to explain these aspects.

### 1.7.3 Outline of the Theory

There are 4 broad parts of the theory:

- (a) Stimulus variables.
- (b) Response variables.
- (c) Hypothetical constructs – these variables serve the role of endogenous variables. These are the variables that the model is trying to explain.
- (d) Exogenous variables. These are the variables that have an impact on the variables under focus. However, they are not under the control of the company.

### 1.7.4 Simple Representation

In its simplest form, the model can be represented as follows:

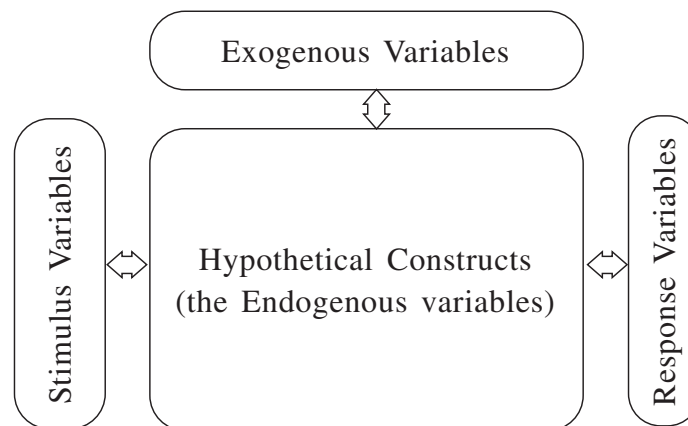


Figure 1.3: Simple representation of the Howard-Sheth model



### 1.7.5 Stimulus Input Variables

The internal state of a consumer is impacted by the environment – both social and commercial. These external elements of environment have a strong impact on their purchase decision. Hence, they are inputs to the model.

Social environment implies the social and cultural setting. One of the important elements here is Word-of-Mouth (WOM) communication. WOM can be either in-person or through internet. It implies the influence that the friends, colleagues, social network or influencers have on the purchase process (or on the purchase decision). E-commerce has increased the importance of WOM. At the time of buying, a customer is affected by the reviews left by earlier buyers and the rating given to the product.

The commercial environment are the activities done by the companies in reaching out to their consumers. It can take 2 forms:

- (a) Explicit communication by the companies – primarily in the form of advertisements.

This is referred by the authors as **significant stimuli**.

- (b) Implicit communication – these are the assumptions consumers make about the brand, based on the symbols they observe, and the associations they have in their mind. One of the most common assumptions is the price-quality association. A higher priced product is perceived to have a better quality. So, if the consumer observes the brand in a setting which connotes high quality or exclusivity, then they will automatically assume it to be higher priced. And if their threshold price is low, then this brand will not be considered during the purchase process.

This is referred to as **symbolic stimuli**.

Both these commercial stimuli – significant and symbolic – are complex variables. They consist of 5 dimensions:

- (a) Price
- (b) Quality
- (c) Distinctiveness
- (d) Availability
- (e) Service.



### 1.7.6 Hypothetical Constructs, the Endogenous Variables of the Model

These constructs fall into 2 broad categories:

- (a) Perceptual constructs, serving the function of information processing, and
- (b) Learning constructs, serving the function of concept formation.

#### 1.7.6.1 First, the Learning Constructs

There are 6 aspects to this construct:

- (a) **Motives:** These are the impulses that drive a consumer to consider making a purchase, leading to initiating the purchase process. Motives can be either specific motives or non-specific motives.

Motives are specific to a product class, and reflect the underlying needs of the buyer. The need for a consumer to purchase can be because of their actual state or because of desired state. If the mobile phone of a consumer has stopped working, then there is an urgent need to replace it. This is the actual state. Now suppose, Apple has just launched their new model. This consumer, a big fan of Apple products, wants to buy it. This is the desired state.

It could be even possible that the mobile of the consumer is working properly, yet he wants to change it to the latest model launched by Apple. Being seen with the latest model of Apple is the desired state of the consumer.

The specific motives are similar to the product attributes – E.g., the specific motive to buy energy drink is to gain energy and the vital ingredients.

The non-specific motives can be either because of fear and anxiety (the product might not be available tomorrow) or because personality traits – like showing-off, gaining social status among friends and colleagues or aggressiveness.

- (b) **Brand:** What is the perception of the brand in the mind of the consumer.

There are so many brands in the market place. If a consumer is not even aware of a particular brand, then it will never be considered



for purchase. Among the brand the consumer is aware of, a smaller set is acceptable to the consumer. These brands will be considered for purchase. Other brands, not considered for purchase, could be either Inept (unacceptable), or Inert (Indifferent) or Overlooked. Only one of the brands from the acceptable set will be purchased. It is important for the brand to know where they lie – this is a vital input into the message that the brand wants to communicate to their consumers.

**(c) Decision mediators are the cognitive elements of a consumer:**

They have two aspects.

*One*, the associations in the mind of the consumers, to match the motives and the brands. For e.g., the Indian consumers used to think that foreign brands have better quality. Indian companies played on this sentiment of consumers, and named their brands with foreign orientation. E.g., Peter England, Allen Solly, Smokin' Joes, Theobroma, Da Milano, Franco Leone, Munich Polo and Monte Carlo are all Indian brands started by Indian companies in India. However, because of their name, it gives an impression that they might have foreign origins and are now entering the Indian market.

*Two*, the criteria used a consumer to discriminate between brands. The process for forming these 2 aspects is through consumer learning processes. Consumers are continuously exposed to stimuli – whether they are making a purchase decision or not. This learning can be either based on actual experience, or based on information received.

**(d) Predisposition Toward Brands:** This is the summary of the three constructs discussed earlier. The predisposition can be either highly positive, or highly negative or ambiguous. It is important for a marketer to know the kind of predisposition that a consumer has towards their brand. This has direct implication to the interventions required with the consumers.

**(e) Inhibitors:** These are the forces that inhibit a consumer to buy the brand even though they have decided to buy it. The inhibitors can either be price (or lack of expected discounts, or charging shipping fees), or availability. Significantly, these inhibitors are not internal to the consumer, they are purely circumstantial. Please appreciate



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that these inhibitors are for the consumers, and are because of decisions made by the company (E.g., price or discount).

- (f) Satisfaction with the Purchase of a Brand:** This factor is simply whether the brand meets the expectations of the consumer or not. This can be on a particular attribute, or with the product itself. It can be either because of self-experience, or as told by a friend, or because of new information that the consumer has now come across.

These learning constructs decide the decision process that is likely to be adopted by the customers. Howard and Sheth describe three types of decision-making process:

- (a) Extensive problem solving, when the consumer has low predisposition towards brands.
- (b) Limited problem solving, when the consumer has moderate predisposition towards the brands,
- (c) Routine response behaviour, when consumers have high level of predisposition towards a particular brand. This will typically happen when the consumer has bought the same brand multiple times and is satisfied with the product. So, this type of decision making will happen for products having lower perceived risk, purchased frequently.

#### 1.7.6.2 *The Perceptual Constructs*

These constructs relate to the manner in which the customer obtains and then consumes the information required for the purchase decision-making process. Three aspects have an impact here:

- (a) Sensitivity to Information:** Sensitivity to information is the consumer receptive to the information or not. If the information is too complicated, the consumer is likely to ignore it. On the other hand, if the information is too simplistic, then again, the consumer might ignore it. So, the information has to be in the right form of complexity. The level of complexity required will be different for different consumers, and depends on the consumer behaviour. The authors use the word ambiguity.



Sensitivity to information is also dependent on the source of communication, the content of the communication and the brand itself. A customer is more likely to believe their friends, as compared to advertisements.

- (b) Perceptual Bias:** This refers to the selective attention given by the consumer to the different sources of information. For e.g., if there is a media outlet that regularly publishes untrue news about the society, we are likely to believe the opposite of what is being communicated. So, the source and the information – both are subject to bias.

Another example could be Puro Salt. It is important for the company to understand if health is really important for the consumers, and if salts are considered unhealthy by them. If the answer to any of these questions is no, then the company has to work on changing the perception.

- (c) Search for Information:** This is the part where the consumer is actively searching for information. This situation can arise when the buyer feels inadequate information on the purchase criteria, or being unfamiliar with the brands, or in a fast-changing environment or when the perceived risk is high. The information searched for can be either subjective (opinion on the product or the brand) or objective (factual information about the brand). On the other hand, at times, a consumer can search for information even for products with low perceived risk. For e.g., a consumer is tired of purchasing the same purchase again and again (the routine purchase behaviours). In such cases, they might search for information again, just to ensure either excitement, or to ensure that they have not lost out on any recent development.

### 1.7.7 Response Variables

The hypothetical constructs result in certain changes in the consumer. These changes are reflected on 5 dimensions:

- (a) Attention:** The amount of information noticed by the consumer from any communication.



- (b) **Comprehension:** The understanding that a consumer has about the brand. It can either be about a particular attribute, or about the brand.
- (c) **Attitude towards the brand:** Assessment by a consumer on the ability of a brand to meet the need because of which the purchase process was started.
- (d) **Intention to Buy:** The likely brand that the consumer has decided to buy. This is a net balance of the predispositions and the inhibitors.
- (e) **Purchase Behaviour:** This is the actual act of purchasing the brand.

These response variables are related to each other, and follow a sequential pattern. The variables typically follow the order in which they have been mentioned above.

### 1.7.8 Exogenous Variables

Buying behaviour is a very complex phenomenon. Some of the factors listed above impact the purchase process. However, there are many other variables that also have an impact on the behaviour. These factors are not under the control of the company, and hence are exogenous to the process. They are:

1. **Time Pressure:** A customer might be under time pressure for various reasons. This can be because of several environmental influences.
2. **Financial Status:** The financial standing of the consumers. This has two connotations – The actual financial standing and the perceived financial status.
3. Personality traits are such variables as self-confidence, self-esteem, authoritarianism, and anxiety, which have been researched to identify individual differences. Their effect is felt on non-specific motives and the evoked set.
4. Social and organizational setting.
5. **Social Class:** Social class mediates the relation between input and output by influencing specific motives, decision mediators, the evoked set, and inhibitors.
6. **Culture:** Will influence motives, decision mediators, and inhibitors.
7. Importance of Purchase.



### 1.7.9 Pictorial Representation

Based on this discussion, a more detailed pictorial representation of the model is presented in Figure 1.4.

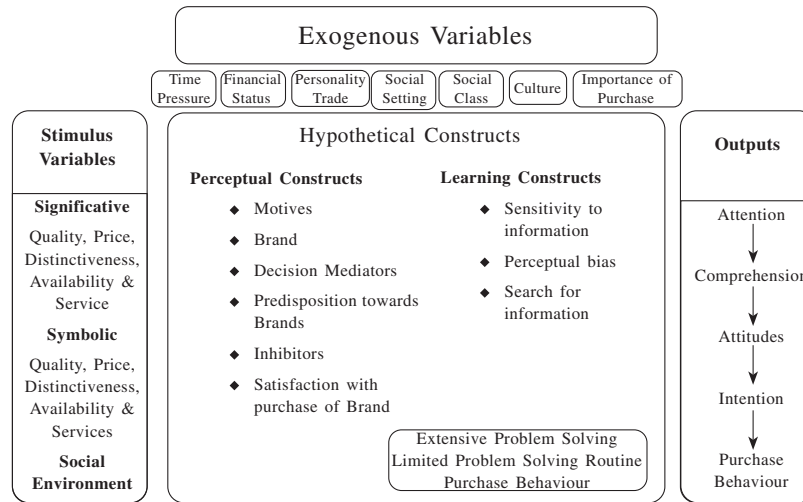


Figure 1.4: Detailed representation of the Howard-Sheth Model

### 1.7.10 Detailed Representation

The detailed model, with all the inter-relationships is given below. This has been taken from the paper that Howard and Sheth had authored to propound their theory.

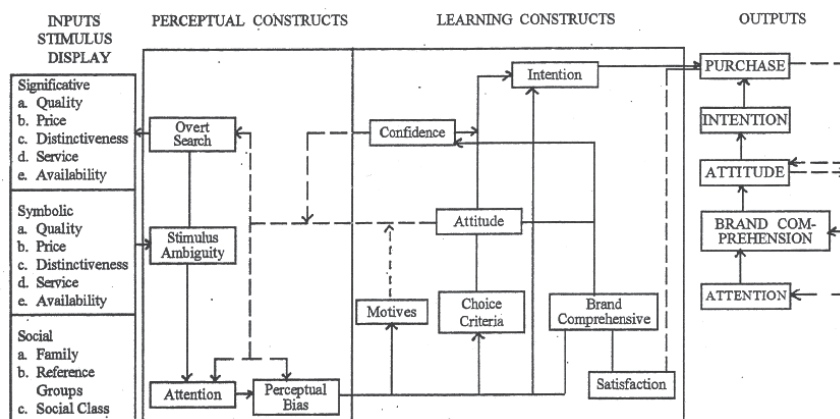


Figure 1.5: Detailed representation of the Howard-Sheth model

Simplified Description of the Howard-Sheth Model.



### 1.7.11 Salient Features of the Model

- ◆ One of the most objectively constructed contemporary models of consumer behaviour.
- ◆ The model attempts to explain rational brand choice behaviour within the individual constraints.
- ◆ It attempts to deal with both overt behaviour and internal or cognitive behaviour.
- ◆ It is a complex model – covering the spectrum of buying behaviour.

#### A4.1 ACTIVITY on Howard Sheth Model

For the purchase of a new mobile phone, list what can be the significant and symbolic inputs variables.

##### SIGNIFICANT INPUTS

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

##### SYMBOLIC INPUTS

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

#### A4.2 ACTIVITY on Howard Sheth Model

Identify 5 friends who have purchased a car in the last 3 months. Ideally, try to get friends in two categories – one, who are purchasing a car for the very first time, and two, who have purchased a car earlier. Talk to them about their “motive” in purchasing that particular car. How did these motives affect their buying intentions and ultimately their purchase.

### 1.8 Engel, Kollat and Blackwell (EKB) Model

Like the earlier two models, the basic premise of Engel, Kollat and Blackwell (EKB) model is also the focus on rational and deliberate decision-making process. The premise is that consumer give a significant consideration to their behaviour at the purchase scenario. This theory was published in 1968.



The basic premise of this theory is that the behaviour of the consumer depends on the likely outcomes because of their behaviour. And so, the EKB model is an evolution of the Theory of Reasoned Action.

This rational behaviour of consumers is divided into 5 stages that a consumer goes through:

- (a) Need recognition
- (b) Information searching
- (c) Evaluating alternatives
- (d) Purchasing (or choosing)
- (e) Post-purchase outcomes.

### 1.8.1 Need Recognition

A consumer purchases a product to satisfy some need. They can feel this need for a product or brand for many reasons. Some of these reasons could be:

- ◆ Difficulty currently being faced by the consumer.  
E.g., my daughter has started going for tuitions every evening. And it is important for me to ensure that she is always remains connected and can call for help – whenever required. So, I have started feeling the need for a mobile phone suitable for a young teenager.
- ◆ Life stage of the consumer.  
Family of the consumer has just expanded, and they now have a baby. Suddenly, they now have a need for baby food. This need has come up only because they have advanced in their life stage.
- ◆ Liking for new offerings in the market.  
I already have a mobile phone. However, Samsung has come up with a foldable mobile that also looks extremely attractive. I want to have it – so that I can show it off to my friends. I start feeling a need for a new mobile phone.
- ◆ Need to be seen as a leader.  
The consumer has a tremendous anxiety of always being seen with the latest gadget.



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This could also explain the reason why many iPhone owners change their phone to the newer model, almost as soon as they are launched.

- ◆ Consumers see others having a product, and suddenly start feeling a need for it.

This strategy is adopted by many marketers where their product is targeted at the children. Children see their friends having a particular brand, and start asking their parents to purchase the same for them as well.

### 1.8.2 Search for Information

So now the consumer has a felt need. (S)He will now try to satisfy that need. The first stage of satisfying the need is to start searching for information.

A consumer wants to buy a car – as their family has expanded. There are many features and even more options available in the market. A rational consumer always wants to do the right action. And the fundamental aspect of it is to find information.

A consumer can find information from many sources:

- ◆ Advertisements – on TV, or on radio, or in newspapers, or on websites
- ◆ Company material – E.g., brochures
- ◆ Hoardings
- ◆ Other users of the product
- ◆ Industry associations
- ◆ Consumer Reports
- ◆ Governmental agencies e.g., National Dairy Development Board (NDDB)
- ◆ Social media
- ◆ Word-of-Mouth

### 1.8.3 Evaluating Alternatives

The search for information will result in many alternatives for the consumer. E.g., the consumer will come up with the any alternatives for the mobile phone they want to buy for their daughter.



In this stage, consumers will evaluate the alternatives. E.g., for the mobile phone, the consumer might look at one or all the features like price, screen size, RAM, memory, battery size, built, camera specification, photo quality, photo features, brand, and other features. There could be a huge list of features that a consumers might consider when evaluating the various alternatives. Some of them could be related to the purchase decision – E.g., availability of financing option for the model being considered.

They could all be considered at the same time or could be sequential. E.g., in the first stage, a consumer might evaluate on the basis of price. The budget might be less than Rs. 20,000. This would mean that all the costly mobiles will be removed from the consideration set. The consumer will then look at other features the consider important.

The end-result of this stage is the decision on the exact brand and model to buy.

### 1.8.4 Purchasing

This is the stage where the consumer actually purchases the product. Will the consumer buy it from the company-owned outlet, or from a multi-brand retailer? Or will the consumer buy it online? Will the consumer buy now, or wait for the sale that might be just a week away? Will they buy it for cash, or use some financing options, they will purchase it using any electronic mode or will go and buy from the store?

All these aspects are important for the marketer – to ensure the best experience to the consumer.

### 1.8.5 Post-purchase Outcomes

The purchase process does not end with purchase.

At the time of evaluation, the consumer made certain decisions. After purchasing the product, the consumer will validate whether their assumptions were correct or not.

Did they consider all the relevant features to evaluate the alternatives? Or did they miss out on any particular one? What should have been the importance of the various features?



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Is the product performing as per the expectations? How satisfied do they feel with the product, and with the company?

This is an extremely critical stage for the company. A slip at this stage can result in severe negative perception about the brand – especially in this era of extremely high connectivity and of social media.

One of the worst things that can happen to a brand is that the consumer purchases the brand but never uses it.

### 1.9 Nicosia Model of Consumer Behaviour

The model was developed in by Professor Francesco M. Nicosia in 1966. Two of the models discussed earlier (Theory of Reasoned Action and EKB model) focus entirely on the consumer. The Nicosia model extends the theory further by including the company as well.

The Nicosia Model gives emphasis first to the company and then to the consumer. The basic premise of the model is that the messages from the company determines whether a consumer will buy it or not. Based on the messages, consumers will form their attitude towards the brand. This might result in the consumer searching for information – if the need is felt. If everything remains positive, then the consumer will end up buying the product.

The **Nicosia model** is divided into **four major fields**: this is similar to the EKB model:

**Field 1: The firm's attributes and the consumer's attributes.**

There are two main aspects here:

(a) **Marketing environment of the company and their communication effort. This helps in shaping the consumer attitude**, the perception of the competitive environment, and characteristics of target market.

(b) **Consumer attributes.**

**Field 2: Search and evaluation.**

**The consumer starts searching for information on their primary brand and starts comparing it with other brands.**

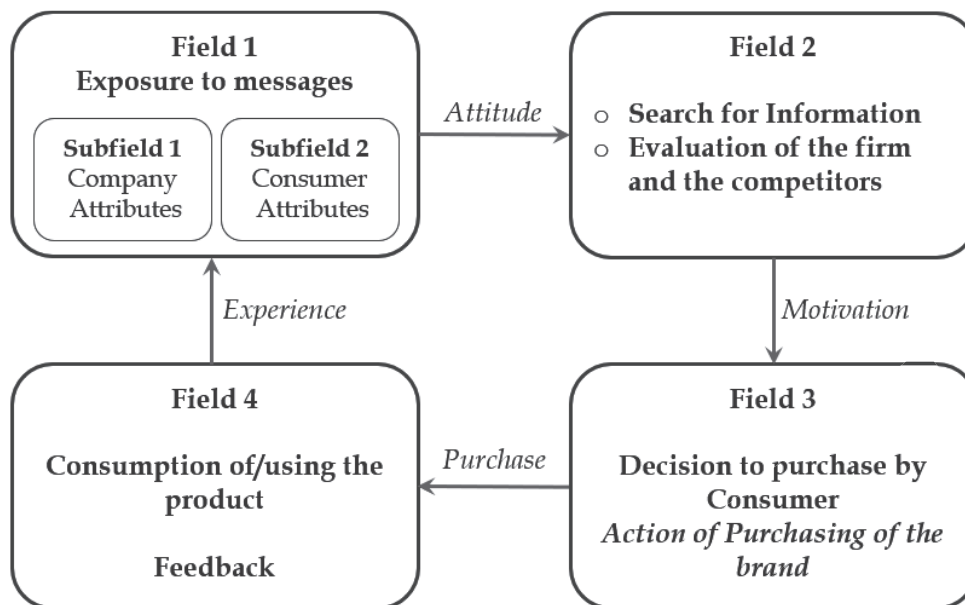


**Field 3: The act of the purchase.**

Here, the consumer is sufficiently motivated to purchase a particular brand and from a particular retailer.

**Field 4: Feedback of sales results.**

This model analyses both the aspects – feedback of both the firm and the consumer.



**Figure 1.6: Nicosia model of Consumer Behaviour**

#### ACTIVITY on Nicosia Model

You are a manager in a university, responsible for Alumni Relations. There is a strong need to have an alumni platform – where the alumni can interact with each other and with their alma-mater. You take permission from your Dean to purchase one of the systems available in the market.

You do a small search and identify two different brands. You call their sales officer, and ask them to make a presentation. Eventually, you choose to buy one of the two brands which are equally good in all respects.

Comment on the decision-making process involved in deciding the specific brand. Can you explain these processes in terms of the Nicosia Model?



### 1.10 Behaviour of Consumers in the Digital World

A big change in our day-to-day life over the last decade has been the increasing digitization of our activities. Reflect the manner your life has changed over the last decade, or infact over the last 5 years. There are significant changes likely to take place with the increasing popularity of Generative AI models like Chat GPT.

This digital world will influence almost every aspect of our behaviour:

**Search:** The manner in which a consumer searches for information will have a profound change. We are no longer dependent on the brands to inform us about their products. There are many ‘guides’ now available. Of course, we are also fed with a lot of misinformation.

**Societal Influences:** We are more likely to ask our social media ‘friends’ for recommendation on a product or service. A cursory glance through the social site like Quora will reveal so many queries on the positive aspects and negative aspects of various educational institutions/brands/companies etc.

**Personalization:** Big data, the advanced algorithms, and the computing capability has made it possible to personalize the communication to the specific needs of the consumers. So, the communication is likely to be much more effective in sharing more relevant product recommendations.

And of course, given the time we spend online, the online media has become increasingly important in the media mix of the companies.

### 1.11 Behaviour of Consumers in the Social Sectors

All the examples given have been for commercial organizations. The obvious question is that is the field of consumer behaviour important only for such organizations.

An emphatic answer is NO. The field of consumer behaviour is extremely important for the social sector as well. These organizations could be either governmental, or could be not-for-profit organizations. Arguably, it might possibly be more important than for the for-profit sector.

Let us take an example – to help to illustrate the point better.

On 2nd October, 2014, the Government of India launched Swachh Bharat Mission.

## INTRODUCTION



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The stated objective is “To accelerate the efforts to achieve universal sanitation coverage.”

What is the most critical element that will determine the success of this campaign?

Society consciousness. When the society starts recognizing the importance of cleanliness, and starts investing effort towards keeping their surroundings clean, the mission would have succeeded in its objectives. Society participation is critical for the success.

And how to get the society to buy into the concept of sanitation and cleanliness? By impacting and modifying the behaviour of the consumers.

Let us take another example. This is the drive of the government of India to get the populace to start using digital form of payment. As the readers can quickly realize, changing the mindset of the consumer is again critical to the success of this initiative.

These examples have explained that the principles and models of consumer behaviour are critical for the developmental (aka social) sector as well.

From the above discussion, it is clear that consumer behaviour is important for the social sector. But, why is it more important than the for-profit sector? The reason is simple, lack of adequate resources.

A social sector is always stretched for funds. They depend on grants and donations for meeting their financial requirements. The level of social interventions require are so enormous, that any social sector organization will at best have an iota of the funds they would otherwise require. Hence, understanding consumer behaviour is critical for their existence – as it is vital for them to achieve the highest level of effectiveness in their social sector interventions.

### 1.12 Self-Assessment Questions

1. Define consumer behaviour. What is the scope of consumer behaviour?
2. Please answer the following on the Howard Sheth Model:
  - (a) What are the 4 basic elements of the Howard Sheth model? Describe them in brief.



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- (b) What do you understand by symbolic and significant inputs? How do they affect the consumer decision process?
- (c) Please explain Hypothetical Constructs? Explain briefly.
- (d) Take the example of a television purchase by your family. Explain the decision process with the help of Howard Sheth Model.
3. Describe the basic premise of the Engel-Kollat-Blackwell model of consumer behaviour

### 1.13 References

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### 1.14 Suggested Readings

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Notes



# Consumer Involvement

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## STRUCTURE

- 2.1 *Learning Objectives*
- 2.2 *Introduction*
- 2.3 *Factors Determining Consumer Involvement*
- 2.4 *Low Consumer Involvement*
- 2.5 *High Consumer Involvement*
- 2.6 *Perceived Risk*
- 2.7 *Antecedents and Consequences of Consumer Decision Making*
- 2.8 *Consumer Decision Making and Psychology of Simplification*
- 2.9 *Consumer Decision Making: Routine Buying Habit*
- 2.10 *Loyalty*
- 2.11 *Consumer Inertia*
- 2.12 *Answers to In-Text Questions*
- 2.13 *Self-Assessment Questions*
- 2.14 *References*
- 2.15 *Suggested Readings*

## 2.1 Learning Objectives

- ◆ Understand the factors influencing consumer involvement and their impact on the buying process.
- ◆ Explore the psychology of consumer decision making, including routine buying habits and brand loyalty.



- ◆ Gain insights into the strategic implications of consumer inertia for incumbent companies and new entrants in the market.

## 2.2 Introduction

Customer involvement can be understood as the extent to which consumers actively participate in the decision-making process when it comes to purchasing products or services. High involvement products typically involve significant financial investment, potential risks, or personal relevance to the buyer. Examples of high involvement products can include buying a car, a house, or selecting a university for higher education. In these cases, consumers tend to engage in extensive research, compare different options, seek recommendations, and evaluate various attributes before making a final decision. The level of customer involvement for high involvement products is driven by the need for careful consideration and the desire to make the best possible choice.

On the other hand, low involvement products are characterized by their relatively low cost, routine nature, and minimal risk associated with the decision. These products may include everyday consumables like toothpaste, packaged snacks, or household cleaning supplies. Consumers often make these purchases out of habit or convenience, without investing significant time or effort in the decision-making process. Due to their low involvement nature, consumers may rely more on familiarity, brand loyalty, or simple heuristics (mental shortcuts) to make quick and effortless choices.

Understanding the varying levels of customer involvement is crucial for marketers as it enables them to design appropriate marketing strategies and tactics. For high involvement products, businesses should focus on providing detailed information, emphasizing product features and benefits, and creating a sense of trust and credibility. This can be achieved through engaging advertising campaigns, informative websites, and personalized customer service. In contrast, for low involvement products, marketers should aim to enhance brand recognition, foster repeat purchases, and ensure ease of availability. Strategies like eye-catching packaging, point-of-sale promotions, and strategic product placement can influence consumers to make impulsive purchasing decisions.



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In short, customer involvement encompasses the degree of time and effort consumers invest in their decision-making process when making a purchase. Recognizing the existence of different levels of involvement is essential for businesses to effectively engage with their target audience. By tailoring marketing strategies to align with the specific characteristics and needs of high and low involvement products, companies can maximize their chances of influencing consumer behaviour and achieving success in the marketplace.

### ***2.2.1 Level of Consumer Involvement***

Consumer involvement varies among individuals and is influenced by multiple factors. Some consumers exhibit a higher level of involvement and meticulously analyse even minor differences between products. They invest time and effort in researching options, seeking expert opinions, and engaging in detailed discussions before making a purchase. For instance, when considering buying a new laptop, these consumers may thoroughly compare specifications, read reviews, and consult with sales representatives to ensure they make the optimal choice.

Conversely, less involved consumers are content with basic products that offer satisfactory functionality at a reasonable price. They may simply select a flour brand available at their local grocery store, considering it to be a good value for money without extensive evaluation. These consumers prioritize convenience and affordability over in-depth analysis.

One challenge for consumers who experience a sense of risk and fear making a wrong decision is that satisfaction with a product can only be determined after purchase and consumption. The uncertainty surrounding product performance before buying can create apprehension. Consequently, many consumers exhibit risk aversion and are hesitant to take chances. This highlights the significance of external indicators in influencing consumer perception. The overall appearance of a product, including factors like price, quality marks, place of sale, and packaging design, can serve as cues to indicate its internal quality. These indicators help build consumer confidence and alleviate concerns by providing tangible signals of reliability and value.



In short, consumer involvement varies based on individual preferences and circumstances. Some consumers exhibit high involvement and engage in extensive research and decision-making processes, while others display lower involvement and prioritize convenience and affordability. Addressing the concerns of risk-averse buyers is essential, as their satisfaction with a product can only be determined post-purchase. Employing external indicators such as price, quality marks, place of sale, and packaging design can help mitigate perceived risk and enhance consumer confidence in the product's overall quality.

Here are two examples that illustrate different levels of consumer involvement:

### **High Involvement Product: Purchasing a Car**

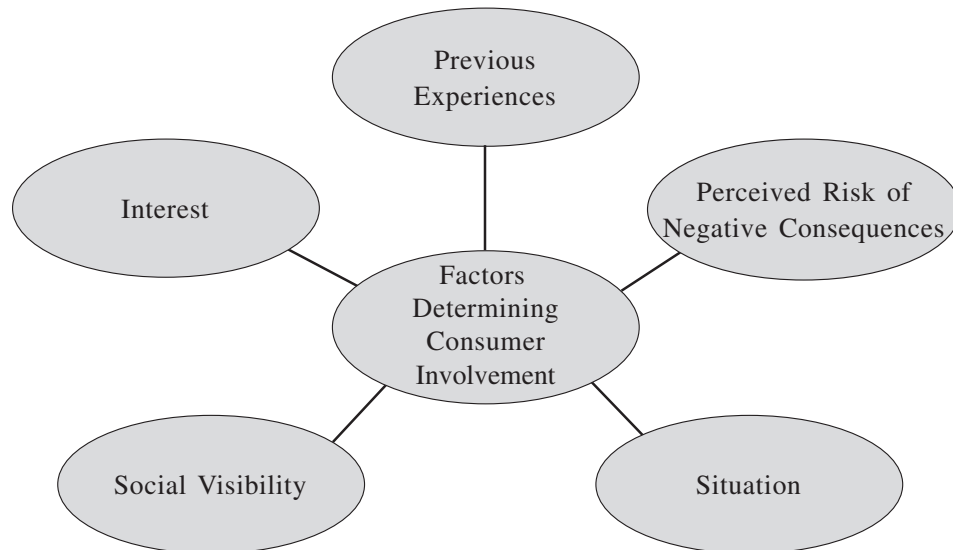
When consumers are considering buying a car, it typically falls into the category of high involvement products. This is due to the significant financial investment, potential risks, and personal relevance associated with the decision. Consumers interested in buying a car would likely invest a considerable amount of time and effort in the decision-making process. They may conduct extensive research on different car models, compare features and specifications, read reviews, and even visit multiple dealerships for test drives. The decision-making process for purchasing a car involves careful consideration, as consumers aim to optimize their choice based on factors like performance, safety, fuel efficiency, and long-term reliability.

### **Low Involvement Product: Purchasing Toothpaste**

In contrast to buying a car, purchasing toothpaste is an example of a low involvement product. Consumers typically exhibit minimal time and effort in the decision-making process for toothpaste. With this routine and low-cost product, consumers often rely on simple heuristics or past experiences to make their selection. They may choose a familiar brand, opt for a flavour they prefer, or simply grab a tube of toothpaste that is conveniently available at their local grocery store. The decision-making process is relatively quick and effortless, with consumers not investing much thought into the purchase as compared to high involvement products.



### 2.3 Factors Determining Consumer Involvement



**Figure 2.1: Factors Determining Consumer Involvement**

**Previous Experiences:** Consumer involvement can be influenced by previous experiences with similar products or brands. Positive experiences may lead to higher involvement as consumers develop trust and familiarity with a particular product. For example, if a consumer had a positive experience with a specific smartphone brand in the past, they may be more involved in the decision-making process when purchasing a new smartphone from the same brand.

**Interest:** Consumer involvement is often higher when there is a personal interest or passion related to the product or category. For instance, a photography enthusiast would likely have a higher level of involvement when choosing a new camera, as they have a genuine interest in photography and would invest more time and effort in evaluating different models and features.

**Perceived Risk of Negative Consequences:** The level of consumer involvement can be influenced by the perceived risk associated with the product. If consumers perceive a high risk of negative consequences, such as financial loss or potential health risks, they are likely to be more involved in the decision-making process. For example, when considering a medical procedure, consumers may extensively research and seek multiple opinions to minimize the perceived risk and make an informed decision.



**Situation:** Consumer involvement can vary based on the specific situation or context in which the purchase decision is made. For instance, if a consumer is buying a gift for a special occasion, such as a birthday or anniversary, they may invest more time and effort to ensure the chosen gift is meaningful and well-received by the recipient.

**Social Visibility:** Consumer involvement can also be influenced by the social visibility associated with the product. If a product has high social visibility, meaning that it is easily noticeable or prominently displayed, consumers may feel more involved in the decision-making process to ensure their choice aligns with social expectations or reflects their desired image. For example, when selecting an outfit for a formal event, consumers may be more involved in choosing the right attire to make a positive impression on others.

These factors—previous experiences, interest, perceived risk of negative consequences, situation, and social visibility—play significant roles in shaping consumer involvement and influence the level of time, effort, and consideration consumers invest in their purchasing decisions.

#### IN-TEXT QUESTIONS

1. Which factor influencing consumer involvement refers to the level of personal interest or passion in a particular product or category?
  - (a) Previous Experiences
  - (b) Interest
  - (c) Perceived Risk of Negative Consequences
  - (d) Situation
2. Which factor influencing consumer involvement relates to the perceived risk of negative consequences associated with a product?
  - (a) Previous Experiences
  - (b) Interest
  - (c) Perceived Risk of Negative Consequences
  - (d) Situation



3. Which factor influencing consumer involvement pertains to the social visibility of a product?
- (a) Previous Experiences
  - (b) Interest
  - (c) Perceived Risk of Negative Consequences
  - (d) Social Visibility

## 2.4 Low Consumer Involvement

Low consumer involvement refers to a state where consumers are not actively engaged in the buying process, which is estimated to occur in approximately 90-95 per cent of their purchasing decisions. During low involvement decisions, consumers often rely on autopilot or habitual behaviour, which significantly influences their choices. Interestingly, consumers may not even consciously recognize their desire for a low involvement product until they are already at the store, emphasizing the importance of factors like in-store promotions and packaging design in capturing their attention.

In the context of low involvement products, they are typically characterized by having no significant differences in quality among available options. These products are usually priced relatively low and require little to no detailed explanation or consideration. Examples of typical low involvement products include consumer goods, foodstuffs, and mass-produced items such as milk, sugar, toothpicks, or toilet paper. When purchasing these types of products, consumers often spend minimal time exploring alternatives due to perceiving them as having little importance or interest.

The low involvement nature of these products means that consumers rely heavily on convenience, brand familiarity, and habitual buying behaviour. Price and availability play significant roles in decision-making, and consumers may gravitate towards trusted brands or easily accessible options without extensively evaluating different features or attributes. Marketing strategies for low involvement products often focus on creating strong brand recognition, ensuring product visibility, and providing convenience in terms of packaging and placement within stores. By effectively leveraging

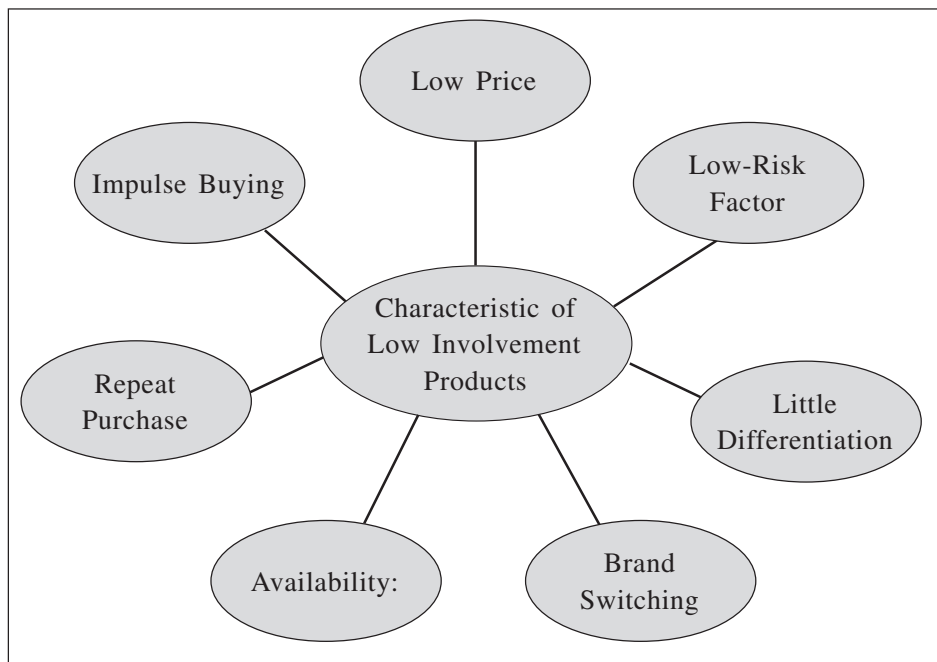


these factors, marketers can influence consumer choices and capture their attention at the point of purchase.

While low involvement products may not require significant consumer attention during the decision-making process, it is important for businesses to recognize their relevance within the marketplace. Understanding consumer behaviour and the factors that drive low involvement purchasing decisions can help companies develop effective marketing strategies, establish brand loyalty, and maximize sales opportunities in this segment of the market.

### 2.4.1 Characteristic of Low Involvement Products

Low involvement products share several common characteristics that distinguish them within the consumer market:



**Figure 2.2 : Characteristics of Low Involvement Products**

**Low Price:** Low involvement products are typically priced relatively low, which means that consumers do not hesitate or think twice before making a purchase. These products are often considered affordable and have a perceived low financial risk associated with them. For example, items like kitchen towels or generic cleaning products are relatively



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inexpensive and serve basic functions, making them suitable examples of low involvement products.

**Low-Risk Factor:** Low involvement products are associated with minimal risk for consumers. If a consumer is dissatisfied with a low involvement product, the consequences or impact of their decision are generally negligible. For instance, if someone purchases a bag of chips and finds them unsatisfactory, the financial loss or negative consequences are minimal compared to higher involvement purchases like electronics or appliances.

**Little Differentiation:** Low involvement products often lack significant differentiation among brands or alternatives. Consumers perceive these products as having similar functionalities or benefits, making brand loyalty or specific preferences less influential in the decision-making process. For example, when purchasing coffee, consumers may be open to switching brands if their preferred option is unavailable, as they perceive minimal differences between various coffee brands.

**Brand Switching:** Consumers tend to be more open to switching brands within the low involvement product category. They are often willing to try out new brands or alternatives, especially early adopters or innovators. Brand loyalty is generally weaker within this category, as consumers are more focused on convenience, availability, and price.

**Availability:** The availability of low involvement products plays a crucial role in consumer choices. If a preferred brand or product is not available, consumers are generally flexible and willing to choose alternative options. Availability and distribution channels play a significant role in driving sales for low involvement products. For example, if a store is out of stock of a specific brand of chocolate, consumers are likely to choose another available brand without significant hesitation.

**Repeat Purchase:** Low involvement products often involve repeat purchases. Consumers tend to stick to familiar brands or products for their everyday needs. The decision-making process for these products is relatively quick and does not require much contemplation, as consumers develop habits and preferences for particular brands over time.

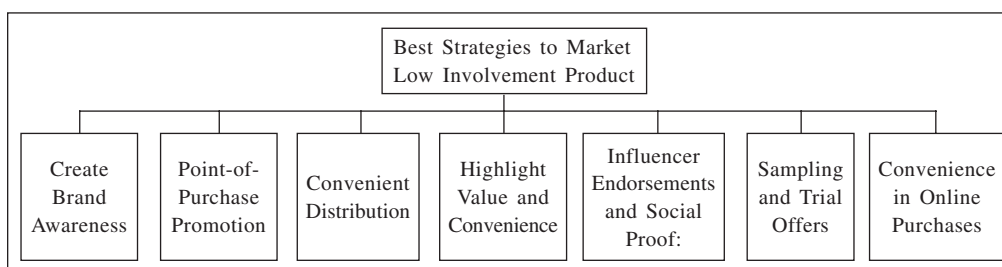
**Impulse Buying:** Impulse buying is a characteristic behaviour associated with low involvement products. Consumers may make spontaneous purchases without prior planning or deliberate thought. The consumption



of these products is often quick and provides instant gratification. For example, purchasing a candy bar at the checkout counter while waiting in line is a common impulse buying behaviour associated with low involvement products.

### 2.4.2 Best Strategies to Market Low Involvement Product

Marketing low involvement products requires a different approach compared to high involvement products due to the lower level of consumer engagement and the nature of routine purchase behaviour.



**Figure 2.3: Best Strategies to Market Low Involvement Product**

Here is a brief note on the best strategy to market low involvement products:

Create Brand Awareness	Since low involvement products are often purchased out of habit or convenience, creating strong brand awareness is crucial. Implement effective branding strategies that focus on consistent messaging, visual identity, and brand recognition. Use various marketing channels such as advertising, social media, and packaging to increase brand visibility and familiarity among the target audience.
Point-of-Purchase Promotion	Given that consumers make quick decisions when purchasing low involvement products, leveraging point-of-purchase promotions is essential. Utilize eye-catching displays, attractive packaging, and in-store signage to capture consumer attention and influence their purchasing behaviour. Discounts, coupons, or limited-time offers can also be effective in incentivizing impulse purchases.



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Convenient Distribution	Low involvement products should be readily available and conveniently accessible to consumers. Ensure widespread distribution through various retail channels, including supermarkets, convenience stores, and online platforms. Focus on optimizing product placement in stores to increase visibility and make it easily accessible for consumers during their routine shopping trips.
Highlight Value and Convenience	Emphasize the value proposition and convenience of the low involvement product. Communicate the product's benefits in a concise and compelling manner, highlighting how it meets the consumer's needs, solves a problem, or enhances their daily life. Emphasize factors such as affordability, ease of use, time-saving attributes, or practicality.
Influencer Endorsements and Social Proof	Collaborate with influencers or leverage user-generated content to promote low involvement products. Influencer endorsements and positive reviews can help build trust and credibility, especially for products that rely on social proof. Encourage customers to share their experiences and opinions through testimonials or social media posts, amplifying the positive word-of-mouth for the product.
Sampling and Trial Offers	Provide opportunities for consumers to experience the low involvement product through sampling or trial offers. This allows them to try the product with minimal commitment, increasing the likelihood of future purchases. Offering free samples, product trials, or money-back guarantees can instill confidence in consumers and encourage trial and repeat purchases.
Convenience in Online Purchases	In today's digital age, consider the convenience of online purchasing for low involvement products. Ensure that the product is easily accessible through e-commerce platforms with user-friendly interfaces, clear product descriptions, and secure payment options. Leverage online advertising and digital marketing techniques to reach a wider audience and drive online sales.



By implementing these strategies, marketers can effectively capture the attention of consumers and influence their decision-making process for low involvement products. The focus should be on creating brand awareness, optimizing convenience, highlighting value, and leveraging social proof to drive impulse purchases and repeat sales.

## 2.5 High Consumer Involvement

High consumer involvement refers to a state where individuals are extensively engaged in the buying process, typically accounting for only 5-10 per cent of their purchasing decisions. In contrast to low involvement products, high involvement products are characterized by their infrequent purchase frequency, significant financial investment, and long-term use or impact. Consumers tend to invest considerable time and effort into researching and evaluating high involvement products due to the importance and consequences associated with their purchase decisions.

When considering high involvement products, consumers recognize the significance of their choices and often engage in extensive research and evaluation. They aim to make informed decisions that align with their specific needs, preferences, and long-term goals. The decision-making process for high involvement products involves careful consideration of various factors such as features, quality, performance, durability, and even emotional appeal.

Examples of high involvement products include cars, houses, jewellery, furniture, and insurance policies. These products require substantial financial investment and are typically intended for long-term use or possess sentimental value. Consumers approach the purchase of high involvement products with a heightened sense of importance, often seeking advice from experts, comparing different brands or models, visiting multiple stores, and even engaging in negotiations to ensure they make the best possible choice.

The complexity and significance of high involvement products necessitate a higher level of consumer involvement, as consumers want to minimize potential risks and maximize their satisfaction with the chosen product. Marketers of high involvement products often employ strategies that provide detailed information, demonstrations, testimonials, and personalized assistance to support consumers in their decision-making process.

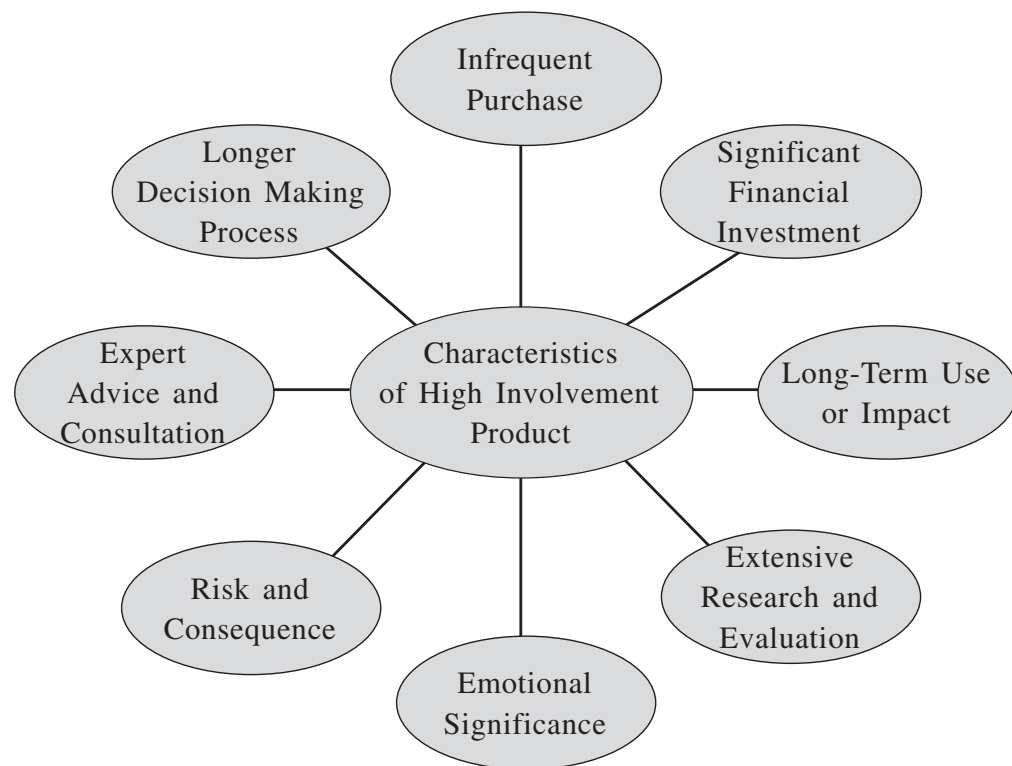


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Understanding the level of consumer involvement in the context of high involvement products is crucial for marketers to tailor their marketing strategies, provide relevant information, build trust, and establish a strong brand reputation. By recognizing the importance consumers attach to these products, marketers can effectively engage with them, address their concerns, and offer a compelling value proposition that aligns with their needs and aspirations.

### 2.5.1 Characteristics of High Involvement Product

High involvement products possess several distinct characteristics that set them apart from low involvement products. These characteristics include:  
Infrequent Purchase



**Infrequent Purchase:** High involvement products are typically purchased infrequently, often only a few times in a person’s lifetime. Examples include cars, houses, and engagement rings. The rarity of these purchases increases the significance and level of consumer involvement in the decision-making process.



**Significant Financial Investment:** High involvement products often involve a substantial financial commitment. The price tag associated with these products is relatively high compared to low involvement products. Consumers understand that the purchase decision can have long-term financial implications, leading them to carefully evaluate options and consider various factors before making a decision.

**Long-Term Use or Impact:** High involvement products are intended for long-term use or have a significant impact on the consumer's life. This includes items like furniture, appliances, and insurance policies. Consumers recognize that their decision will have enduring consequences and, as a result, invest more time and effort in the evaluation process.

**Extensive Research and Evaluation:** Consumers exhibit a higher level of involvement with high involvement products by conducting extensive research and evaluation. They gather information, compare features, read reviews, seek recommendations, and consider their specific needs and preferences. This thorough examination allows consumers to make an informed decision that aligns with their requirements and expectations.

**Emotional Significance:** High involvement products often carry emotional significance for consumers. Purchasing a house or selecting an engagement ring involves not only rational considerations but also emotional factors. Consumers may attach sentimental value or personal aspirations to these products, further heightening their involvement in the decision-making process.

**Risk and Consequence:** The decision to purchase high involvement products is accompanied by a higher perceived risk and potential consequences. Consumers are aware of the potential negative outcomes if the product fails to meet their expectations. This risk perception leads to a higher level of involvement as consumers strive to mitigate potential risks through thorough evaluation and consideration.

**Expert Advice and Consultation:** Given the complexity and significance of high involvement products, consumers often seek expert advice and consultation. They may consult professionals, visit specialized showrooms, or engage with sales representatives to gain insights and ensure a well-informed decision.

**Longer Decision-Making Process:** The decision-making process for high involvement products is typically more protracted compared to low involvement products. Consumers take their time, weighing options, and



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considering various factors before committing to a purchase. This extended decision-making process reflects the higher level of involvement and importance attached to the product.

Understanding the characteristics of high involvement products is essential for marketers as it enables them to tailor their marketing strategies to address consumer needs, provide detailed information, offer personalized experiences, and build trust. By recognizing the unique aspects of high involvement products, marketers can effectively engage with consumers and guide them through the decision-making journey.

**IN-TEXT QUESTIONS**

4. Which characteristic distinguishes high involvement products from low involvement products?
  - (a) Frequent purchase
  - (b) Low financial investment
  - (c) Short-term use or impact
  - (d) Significant financial investment
5. Which factor influences consumer involvement in the decision-making process for high involvement products?
  - (a) Emotional significance
  - (b) Infrequent research and evaluation
  - (c) Lower perceived risk
  - (d) Limited availability

**2.5.2 Best Strategies to Market High Involvement Product**

Marketing high involvement products requires a strategic approach that recognizes the unique characteristics and consumer behaviour associated with these products. Here is a brief note on the best strategy to market high involvement products:

**Establish Emotional Connections:** High involvement products often have an emotional significance for consumers. Therefore, building emotional connections with the target audience is crucial. This can be achieved by crafting marketing messages that resonate with their aspirations, values,



and desires. Employ storytelling techniques and evoke emotions that align with the product's benefits and impact on consumers' lives.

**Provide Comprehensive Information:** Consumers engaged in the purchase of high involvement products seek detailed information to make informed decisions. As a marketer, provide comprehensive product information, including specifications, features, benefits, and comparisons with competitors. Utilize various marketing channels such as websites, brochures, videos, and interactive tools to present information in an engaging and easily accessible manner.

**Leverage Testimonials and Reviews:** High involvement products often involve a significant investment, leading consumers to rely on social proof. Incorporate customer testimonials, reviews, and case studies that highlight positive experiences and customer satisfaction. This helps build trust and confidence in the product, easing consumer concerns and reducing perceived risks.

**Personalize the Buying Experience:** Recognize that the decision-making process for high involvement products is more involved and personalized. Tailor the buying experience to the individual consumer by offering personalized consultations, demonstrations, and trials. Provide opportunities for consumers to interact with the product, ask questions, and seek expert advice, enhancing their confidence in making the right choice.

**Utilize Influencer Marketing:** Collaborate with influencers or industry experts who have credibility and a strong following in the target market. Engage them to endorse or review high involvement products, as their recommendations can carry significant weight in the decision-making process. Authentic influencer partnerships can effectively generate awareness, increase trust, and drive interest among consumers.

**Offer Financing Options:** Given the higher price points associated with high involvement products, offering flexible financing options can remove financial barriers and make the purchase more accessible. Collaborate with financial institutions to provide instalment plans, low-interest loans, or other payment options that suit consumers' budgetary needs.

**Enhance After-Sales Support:** Recognize that the relationship with the customer doesn't end at the point of purchase. High involvement products often require ongoing support, maintenance, or post-purchase services. Develop a robust after-sales support system to address customer queries,



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provide technical assistance, and ensure customer satisfaction. This enhances the overall ownership experience and strengthens customer loyalty. By implementing these strategies, marketers can effectively engage consumers, address their concerns, and guide them through the decision-making process of high involvement products. Building trust, emotional connections, and providing comprehensive information are key elements in influencing consumer perceptions and driving successful marketing campaigns for high involvement products.

## 2.6 Perceived Risk

Perceived risk refers to the consumer's subjective evaluation of the potential negative consequences or uncertainties associated with a purchase decision. It is the perception of the likelihood of experiencing a loss or dissatisfaction with the chosen product or service. Perceived risk plays a significant role in consumer behaviour and can heavily influence purchase decisions. Here is a brief note on perceived risk by consumers:

### 2.6.1 Types of Perceived Risk

Perceived risk can be categorized into different types, including:

**Functional Risk:** The risk that the product may not perform as expected or fail to meet the desired functional requirements.

**Financial Risk:** The risk associated with the monetary investment in the product, such as the possibility of wasting money or making an unfavourable financial decision.

**Social Risk:** The risk of negative social consequences or judgment from others based on the purchase decision, particularly when the product is visible to others.

**Psychological Risk:** The risk of experiencing negative emotions or a negative impact on self-image or self-esteem due to the purchase decision.

**Time Risk:** The risk associated with the potential waste of time spent searching for and evaluating alternative products or the time required to resolve any issues or concerns related to the product.



### 2.6.2 Factors Influencing Perceived Risk

Several factors can influence the level of perceived risk a consumer associates with a purchase decision, including:

**Product Complexity:** The more complex the product or its usage, the higher the perceived risk as consumers may feel uncertain about its functionality or potential drawbacks.

**Lack of Information:** Insufficient or ambiguous information about the product can increase perceived risk as consumers may have limited knowledge or understanding of its features, quality, or performance.

**Brand Reputation:** Consumers often perceive lower risk when purchasing from reputable brands with a history of delivering high-quality products and excellent customer service.

**Personal Experience:** Previous negative experiences or stories from others about a specific product or brand can heighten perceived risk.

**Social Influence:** The opinions and experiences shared by friends, family, or online communities can influence consumers' perceived risk, either increasing or decreasing it.

**Managing Perceived Risk:** Marketers play a crucial role in managing and mitigating perceived risk to encourage purchase decisions. Strategies to address perceived risk include:

**Providing Clear and Transparent Information:** Offer detailed and accurate product information, including features, specifications, usage instructions, and warranty terms, to reduce uncertainty and provide reassurance.

**Offering Guarantees and Warranties:** Offering money-back guarantees, warranties, or favourable return policies can reduce the perceived financial and functional risk associated with the purchase.

**Providing Social Proof:** Share positive customer reviews, testimonials, or case studies to alleviate consumers' social and psychological risk by demonstrating the product's satisfaction and acceptance by others.

**Enhancing Customer Support:** Offer responsive and helpful customer support to address any concerns or issues promptly, thereby reducing the perceived risk of post-purchase dissatisfaction.



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**Leveraging Influencer Marketing:** Collaborating with credible influencers who endorse the product can help build trust and reduce perceived risk by leveraging their authority and expertise.

By understanding and addressing consumers' perceived risk, marketers can build trust, minimize uncertainties, and increase the likelihood of purchase. Effectively managing perceived risk is essential to mitigate consumer hesitations and encourage them to make confident purchase decisions.

## 2.7 Antecedents and Consequences of Consumer Decision Making

Consumer decision making is a complex process influenced by various antecedents and leading to several consequences. Here is a brief note on the antecedents and consequences of consumer decision making:

### *Antecedents of Consumer Decision Making*

**Internal Factors:** Internal factors refer to the personal characteristics and psychological processes that influence consumer decision making. These include demographics, lifestyle, personality traits, beliefs, attitudes, motivations, and perceptions. Internal factors shape consumers' needs, desires, and preferences, which guide their decision-making process.

**External Factors:** External factors encompass the environmental and social influences that impact consumer decision making. These include cultural norms, social class, reference groups, family, social media, marketing communications, and situational factors. External factors shape consumers' perceptions, information processing, and evaluation of alternatives.

**Information Search:** Information search is an antecedent to decision making, where consumers actively seek information about products or services. This search can be internal (memory-based) or external (seeking information from various sources). The amount and quality of information obtained influence the decision-making process.

### *Consequences of Consumer Decision Making*

**Purchase Decision:** The ultimate consequence of consumer decision making is the purchase decision. Consumers choose a specific product



or service from the available alternatives based on their evaluation of various factors such as quality, price, features, and brand reputation. The purchase decision leads to the acquisition and ownership of the chosen product or service.

**Post-Purchase Evaluation:** After making a purchase, consumers engage in post-purchase evaluation, assessing their satisfaction with the chosen product or service. This evaluation compares their expectations with the actual performance or utility of the purchased item. Positive post-purchase evaluation leads to customer satisfaction, loyalty, and positive word-of-mouth, while negative evaluation can result in dissatisfaction and negative feedback.

**Consumer Loyalty:** Consumer decision making can influence long-term consumer loyalty. When consumers have positive experiences and outcomes with a particular brand or product, they are more likely to become loyal customers. Loyal customers exhibit repeat purchases, brand advocacy, and resistance to switching to competitors. Effective decision making can foster consumer loyalty and strengthen brand relationships.

**Decision-Making Styles:** Consumers may exhibit different decision-making styles based on their personal characteristics and preferences. These styles include rational decision making (careful evaluation of alternatives), intuitive decision making (relying on gut feelings), impulsive decision making (spontaneous choices), and variety-seeking decision making (seeking novelty and variety). These styles can impact consumers' satisfaction and subsequent purchase behaviour.

**Consumer Behaviour and Market Dynamics:** Consumer decision making collectively influences consumer behaviour, which has implications for marketers and businesses. Understanding consumer decision-making processes helps companies tailor their marketing strategies, product offerings, pricing, and promotional activities to meet consumer needs, preferences, and expectations. It enables businesses to effectively target and engage consumers in the marketplace.

By understanding the antecedents and consequences of consumer decision making, marketers can develop strategies that align with consumer preferences and effectively influence purchase decisions. Recognizing the factors that influence decision making and the outcomes of these



decisions enables businesses to create positive consumer experiences and build long-term relationships with their target audience.

## 2.8 Consumer Decision Making and Psychology of Simplification

Consumer decision making often involves a psychology of simplification, where individuals employ various strategies to simplify the complex process of evaluating and selecting among different options. This psychology of simplification is driven by cognitive biases, heuristics, and limited information processing capabilities. Here is a brief note on the psychology of simplification in consumer decision making:

**Cognitive Biases:** Cognitive biases are inherent tendencies or patterns of thinking that can lead to systematic errors in judgment and decision making. These biases can simplify the decision-making process by providing mental shortcuts but may also lead to irrational or suboptimal choices. Examples of cognitive biases include anchoring bias (relying heavily on the first piece of information encountered), confirmation bias (favouring information that confirms pre-existing beliefs), and availability bias (overestimating the likelihood of events based on vivid or easily accessible examples).

**Heuristics:** Heuristics are mental shortcuts or simplified decision rules that individuals use to make judgments and decisions quickly. These heuristics help consumers simplify complex choices but may also lead to biases or errors. Examples of heuristics include the use of brand names as a cue for quality (brand heuristic), making choices based on the opinions of others (social proof heuristic), or choosing the default option (default heuristic).

**Satisficing:** Satisficing is a decision-making strategy where individuals seek solutions that are “good enough” rather than striving for the optimal choice. Instead of evaluating all available options exhaustively, consumers may set a minimum threshold of acceptability and choose the first option that meets or exceeds that threshold. Satisficing helps simplify decision making by reducing the cognitive effort required to evaluate all alternatives.



**Limited Information Processing:** Consumers often face information overload and have limited cognitive resources to process all available information. As a result, they engage in selective attention, focusing on specific cues or attributes that are most relevant to their decision. This limited information processing simplifies the decision-making process by filtering out irrelevant or overwhelming information.

**Choice Architecture:** Choice architecture refers to the way options are presented to consumers, influencing their decision-making process. Marketers and businesses can utilize various techniques such as framing, default options, or choice bundling to simplify decision making and guide consumers towards specific choices. By structuring the decision environment, choice architecture helps consumers make decisions more efficiently. Understanding the psychology of simplification in consumer decision making is essential for marketers and businesses. By recognizing the cognitive biases, heuristics, and limitations that consumers face, companies can design their marketing strategies and communication tactics to align with consumers' simplified decision-making processes. Providing clear and concise information, utilizing effective heuristics, and simplifying choices can enhance consumer satisfaction, increase the likelihood of favourable decisions, and foster positive relationships between consumers and brands.

## 2.9 Consumer Decision Making: Routine Buying Habit

Consumer decision making encompasses the cognitive and behavioural processes individuals engage in when evaluating and selecting products or services. However, not all consumer decisions are complex or involve extensive deliberation. Routine buying habits represent a distinct aspect of consumer decision making, characterized by habitual, repetitive purchasing behaviours. Here is a brief note on consumer decision making and routine buying habits:

**Consumer Decision Making:** Consumer decision making refers to the process through which individuals identify their needs, gather information, evaluate alternatives, and make a choice among available options. This decision-making process can vary in complexity depending on factors such as the level of involvement, perceived risk, and the novelty of the purchase. In more complex decision-making situations, consumers engage



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in extensive information search, comparative evaluation, and deliberation before making a decision.

**Routine Buying Habits:** In contrast to complex decision making, routine buying habits involve frequent and repetitive purchasing of products or services without much conscious thought or evaluation. These habits are formed over time and are characterized by automatic and habitual behaviours. Routine buying habits typically occur for low-involvement, everyday products or services that consumers have previously purchased and are familiar with. Examples include buying a particular brand of toothpaste, routinely visiting a specific grocery store, or ordering a regular coffee from a café.

### *Characteristics of Routine Buying Habits*

**Minimal Information Processing:** Routine buying habits rely on minimal information processing. Consumers already possess the necessary knowledge and experience regarding the product or service, which reduces the need for extensive research or evaluation.

**Low Involvement:** Routine buying habits are associated with low-involvement products or services that do not require significant consideration or decision effort. These are often items that are inexpensive, frequently purchased, and have low perceived risk.

**Habitual Behaviour:** Routine buying habits are characterized by habitual behaviours that are automatic and require minimal conscious thought. Consumers engage in habitual responses, often influenced by cues such as brand loyalty, convenience, or familiarity.

**Limited Consideration of Alternatives:** In routine buying habits, consumers typically do not actively seek out or evaluate alternative options. They tend to rely on their established preferences and past experiences, resulting in a more streamlined decision-making process.

**Brand Loyalty:** Routine buying habits often exhibit brand loyalty, where consumers consistently choose a particular brand or product without considering alternatives. This loyalty may be influenced by factors such as trust, perceived quality, convenience, or habituation.

**Repetitive Purchases:** Routine buying habits involve repeated purchases over time. Consumers develop a regular consumption pattern, consistently selecting the same product or service without much conscious effort or re-evaluation.



Understanding routine buying habits is crucial for marketers and businesses as it allows them to target and influence consumer behaviour effectively. By focusing on brand loyalty, convenience, and providing consistent experiences, companies can reinforce and maintain consumers' routine buying habits. Additionally, businesses can leverage cues and stimuli to trigger automatic responses, thereby increasing the likelihood of repeated purchases.

## 2.10 Loyalty

Loyalty of consumers refers to the commitment and allegiance exhibited by customers towards a particular brand, product, or company. It reflects the extent to which consumers consistently choose and repurchase from a specific brand over competing alternatives. Building and maintaining customer loyalty is a critical objective for businesses as it leads to various benefits, including repeat purchases, positive word-of-mouth, and long-term profitability. Here is a brief note on the loyalty of consumers:

### *Importance of Consumer Loyalty*

**Repeat Purchases:** Loyal customers tend to make repeat purchases, contributing to a stable revenue stream for businesses. They are more likely to choose the same brand or company repeatedly, reducing the need for extensive marketing efforts to acquire new customers.

**Positive Word-of-Mouth:** Loyal customers become advocates for the brand, sharing their positive experiences with others through word-of-mouth. They recommend the brand to friends, family, and colleagues, helping to attract new customers and expand the brand's reach.

**Cost Efficiency:** Retaining existing customers is generally more cost-effective than acquiring new ones. Loyal customers require less promotional and marketing investment, as they already have a favourable perception of the brand and are more receptive to its offerings.

**Competitive Advantage:** A strong base of loyal customers provides a Competitive Advantage for businesses. It creates a barrier to entry for competitors and enhances the brand's market position. Loyal customers are less likely to be swayed by competitor offerings or pricing fluctuations.

**Customer Lifetime Value:** Loyal customers have a higher Customer Lifetime Value (CLV) compared to one-time buyers. They contribute



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more to the company's revenue over an extended period, making them valuable assets for long-term profitability.

***Building Consumer Loyalty***

**Exceptional Customer Experience:** Providing a superior customer experience is crucial for building loyalty. This includes offering high-quality products or services, personalized interactions, efficient customer service, and addressing customer needs and concerns promptly.

**Consistent Brand Messaging:** Consistency in brand messaging and positioning helps establish trust and reliability among customers. A clear brand identity and consistent delivery of brand promises foster customer loyalty.

**Rewards and Incentives:** Loyalty programs, rewards, and incentives can incentivize customers to remain loyal. Offering exclusive discounts, special promotions, or access to loyalty tiers can enhance the perceived value and encourage repeat purchases.

**Emotional Connection:** Building an emotional connection with customers can foster loyalty. Brands that evoke positive emotions, align with customers' values, and engage in meaningful storytelling create stronger bonds with their target audience.

**Continuous Communication:** Regular communication with customers through various channels helps maintain engagement and reinforce loyalty. Keeping customers informed about new products, updates, and personalized offers demonstrates the brand's commitment to their needs and preferences.

**Post-Purchase Support:** Providing post-purchase support and follow-up enhances customer satisfaction and loyalty. Timely assistance, addressing concerns, and seeking feedback demonstrate a brand's commitment to customer success.

Consumer loyalty is a valuable asset for businesses, contributing to their long-term success and growth. By understanding the factors that drive loyalty and implementing effective strategies to nurture it, companies can cultivate a loyal customer base, foster brand advocacy, and gain a competitive edge in the market.



## 2.11 Consumer Inertia

Consumer inertia refers to the tendency of consumers to continue buying a certain brand or product without considering alternatives, even if the brand or product has lost its value proposition. This can occur due to various factors such as habit, convenience, loyalty, or lack of awareness.

For incumbents, consumer inertia can be advantageous as it leads to repeat purchases and brand loyalty, creating a barrier for new entrants. However, incumbents may become complacent and fail to innovate or improve their products or services, leading to the erosion of their value proposition. This can leave them vulnerable to competition from new entrants who offer better value.

Consumer inertia refers to the tendency of consumers to stick with familiar brands or products and resist change. It is often driven by factors such as habit, loyalty, perceived switching costs, and the fear of uncertainty associated with trying new alternatives. Consumer inertia has significant strategic implications for both incumbent (established) and entrant (new) businesses in the market.

### Implications for Incumbent Businesses:

Brand Loyalty Reinforcement	Consumer inertia can work in favour of incumbent businesses with strong brand loyalty. These businesses can leverage their existing customer base and loyalty programs to reinforce brand allegiance, making it more difficult for new entrants to attract customers.
Barrier to Entry	Consumer inertia acts as a barrier to entry for new competitors. Incumbent businesses with a loyal customer base and established market presence enjoy a competitive advantage, as it becomes challenging for new entrants to convince consumers to switch from familiar brands.
Focus on Customer Retention:	Incumbent businesses should prioritize customer retention strategies to capitalize on consumer inertia. By delivering exceptional customer experiences, providing personalized offers, and continuously engaging with customers, incumbents can strengthen their customer relationships and reduce the likelihood of defection.

**Implications for Entrant Businesses:**

Differentiation and Value Proposition	To overcome consumer inertia, entrant businesses need to differentiate themselves from the incumbents. They should offer unique value propositions, such as innovative features, superior quality, competitive pricing, or improved customer experiences, to entice consumers to switch from their current choices.
Target Niche Market	Entrant businesses can focus on niche markets or specific consumer segments that may be more open to change and less affected by consumer inertia. By identifying untapped opportunities and addressing specific needs or preferences, entrants can gain a foothold in the market.
Overcoming Established Preferences	Entrant businesses face the challenge of breaking through consumer inertia and convincing customers to switch from their established preferences. This requires a comprehensive marketing strategy that emphasizes the unique value proposition of the new brand or product. Offering innovative features, superior quality, competitive pricing, or enhanced customer experience can help entice consumers to consider the entrant's offerings.
Creating Brand Differentiation	To stand out in a market dominated by incumbents, entrant businesses need to develop a strong and differentiated brand identity. This involves clearly communicating the unique benefits and advantages of their products or services compared to existing options. By highlighting key points of differentiation, such as superior quality, innovative features, sustainability, or customization, entrants can attract the attention and interest of consumers who may be seeking something new or improved.
Providing Compelling Incentives	Breaking consumer inertia often requires offering compelling incentives to encourage trial and adoption of the entrant's products or services. This can include introductory discounts, limited-time promotions, loyalty programs, free trials, or guarantees of satisfaction. By reducing the perceived risk of trying something new, entrants can overcome consumer resistance and entice potential customers to make the switch.



Leveraging Marketing Channels	Entrant businesses need to strategically leverage marketing channels to raise awareness and create visibility among their target audience. This includes utilizing digital marketing strategies such as social media, content marketing, influencer collaborations, and search engine optimization. By reaching consumers through multiple touchpoints and effectively communicating the unique value proposition, entrants can generate interest and consideration for their offerings.
Enhancing Customer Experience	Providing a superior customer experience is crucial for entrant businesses to differentiate themselves from incumbents. By focusing on aspects such as personalized interactions, efficient service, seamless transactions, and responsive customer support, entrants can create a positive impression and build trust with consumers. Positive experiences can help overcome consumer inertia by fostering a sense of satisfaction and loyalty towards the entrant brand.
Capitalizing on Market Trends and Gaps	Entrant businesses can identify market trends, evolving consumer needs, or unmet demands that incumbents may not fully address. By strategically positioning themselves to fulfil these gaps, entrants can gain a competitive advantage and attract consumers who are seeking alternatives or better solutions. This requires thorough market research, understanding consumer preferences, and aligning the entrant's offerings with emerging market opportunities.

Overall, entrant businesses must proactively address consumer inertia by carefully crafting their marketing strategies, highlighting points of differentiation, providing compelling incentives, and delivering exceptional customer experiences. By doing so, they can successfully penetrate the market, gain market share, and challenge the dominance of incumbents.

**CASE STUDY 1****Real Estate Purchase Decision and Consumer Involvement in the Indian Context**

Mr. Sharma, a potential homebuyer in Mumbai, is actively searching for a new apartment. He invests significant time and effort in the search, evaluation, and decision-making process, indicating a high level of consumer involvement. Mr. Sharma spends hours researching online property listings, visiting housing project websites, and seeking recommendations from friends and family. The substantial financial commitment associated with real estate purchases in Mumbai further intensifies his involvement as he carefully evaluates each property to ensure it meets his budget and financial goals. Additionally, Mr. Sharma has specific requirements regarding location, size, amenities, and connectivity, as he plans to live in the apartment with his family. The desire to fulfil his personal needs and preferences contributes to his high level of involvement. Moreover, the social visibility associated with real estate purchases in India adds another dimension to Mr. Sharma's involvement, as he wants to make a well-informed decision that positively reflects on his social standing.

**Questions:**

1. What are some key factors that contribute to high consumer involvement in the real estate industry in India?
2. How can real estate developers effectively cater to the high involvement of consumers in India?
3. How does consumer involvement impact the decision-making process in the real estate sector?

**CASE STUDY 2****Consumer Decision Making for FMCG Product - Parle-G Biscuits**

Ms. Verma, a working professional, has been a loyal consumer of Parle-G biscuits for several years. Her decision to purchase Parle-G is influenced by a combination of factors, including brand loyalty, affordability, taste preference, and convenience. Parle-G has become



Ms. Verma's go-to snack for tea breaks and quick hunger cravings due to its consistent quality, taste, and pocket-friendly pricing. Having consumed Parle-G since her childhood, Ms. Verma has developed a strong sense of loyalty towards the brand, considering it a trusted and familiar choice. The affordability and value for money offered by Parle-G biscuits further reinforce her decision, making it an ideal choice for budget-conscious consumers like herself.

**Questions:**

1. How does brand loyalty impact consumer decision making in the FMCG sector, using Parle-G as an example?
2. What are the key factors that contribute to the affordability and value for money of Parle-G biscuits, attracting consumers like Ms. Verma?
3. How does convenience play a role in the purchase decision of FMCG products like Parle-G biscuits, particularly for busy working professionals?

### 2.12 Answers to In-Text Questions

1. (b) Interest
2. (c) Perceived Risk of Negative Consequences
3. (d) Social Visibility
4. (d) Significant Financial Investment
5. (a) Emotional significance

### 2.13 Self-Assessment Questions

1. Discuss the factors that influence consumer involvement in the purchase decision-making process. How do previous experiences, interest, perceived risk, situation, and social visibility impact the level of consumer involvement? Provide examples to support your answer.
2. Explain the concept of consumer inertia and its strategic implications for both incumbent companies and new entrants in the market. How does consumer inertia affect brand loyalty and the ability of new



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companies to gain market share? Provide real-world examples to illustrate your points.

3. Analyze the marketing strategies used to target low involvement products. How can companies effectively promote and differentiate their low involvement FMCG products in a competitive market? Discuss the role of pricing, packaging design, in-store promotions, and distribution strategies in influencing consumer behaviour and purchase decisions.
4. Discuss the factors that influence consumer involvement in the purchase decision-making process. How do previous experiences, interest, perceived risk, situation, and social visibility impact the level of consumer involvement? Provide examples to support your answer.
5. Explain the concept of consumer inertia and its strategic implications for both incumbent companies and new entrants in the market. How does consumer inertia affect brand loyalty and the ability of new companies to gain market share? Provide real-world examples to illustrate your points.
6. Analyze the marketing strategies used to target low involvement products. How can companies effectively promote and differentiate their low involvement FMCG products in a competitive market? Discuss the role of pricing, packaging design, in-store promotions, and distribution strategies in influencing consumer behaviour and purchase decisions.

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# Consumer Perception and Learning

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## STRUCTURE

- 3.1 *Learning Objectives*
- 3.2 *Introduction*
- 3.3 *Consumer Perception*
- 3.4 *Thresholds and Consumer Memory Network*
- 3.5 *Consumer Learning*
- 3.6 *Summary*
- 3.7 *Answers to In-Text Questions*
- 3.8 *Self-Assessment Questions*
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- 3.10 *Suggested Readings*

## 3.1 Learning Objectives

- ◆ Explain the terms consumer perception, knowledge and consumer learning.
- ◆ Describe significance of studying perception and learning.
- ◆ Outline consumer knowledge and categorization process.
- ◆ Identify levels of thresholds and identify consumer memory network.
- ◆ Describe connectionist and non-connectionist approaches.



## 3.2 Introduction

In the previous lesson you have studied consumer involvement and consumer decision making. In addition to understanding buying habits of consumers, it is very important to understand consumer perception, knowledge and learning along with how they categorize and analyse information about goods and services to make decisions on what to buy.

In this lesson we will discuss in detail consumer perception and learning. It is very important to understand consumer knowledge and categorization process. We will discuss types of thresholds and consumer memory network. You will also study connectionist and non-connectionist approaches of learning.

This lesson has many examples so that it will be easy for you to understand these topics and you will be able to relate this to your real life experiences. This will aid in understanding the two concepts namely: Consumer perception and consumer learning from a whole new perspective.

## 3.3 Consumer Perception

### 3.3.1 *Meaning and Importance*

**Perception** is the process by which a person arranges and elucidates his sensory impressions to understand and interpret his environment. In the actual world, perception may be used in a variety of contexts, including marketing. Consumer perception refers to the process by which an individual chooses and interprets information about a brand or a product. Consumer perception is usually influenced by advertising, social media and personal experience. In order to appeal to consumers' senses and emotions, marketers employ perception to build brand visuals, package designs, and advertising messaging (Hagtvedt & Patrick 2008).

**Consumer perception** is the term for the arbitrary judgments, ideas, and attitudes that people have about a good, service, or company based on their experiences, feelings, and mental processes. Numerous elements, such as product features, brand perception, marketing communications, and environmental circumstances, have an impact on consumer perception (Hoyer et al., 2001). Marketers may affect how consumers perceive their



products by using a variety of strategies and methods, including branding, market research and product design.

**Consumer Knowledge:** The efforts of a marketing team of an organisation to know about the needs and wants of their target customer base is referred to as consumer knowledge. This knowledge helps an organisation to build strong customer relationships by aligning its business towards fulfilling expectations of its customers. In order to deliver products and services in accordance with customer expectations and to satisfy them, companies should have consumer knowledge in both qualitative and quantitative terms. This helps in segmenting the consumers according to their past purchasing patterns.

Consumer knowledge can be studied on the basis of product familiarity and product knowledge. Product familiarity refers to the awareness of the consumer about the product which is available in the market for use or consumption and product knowledge is making consumer aware about the usage of product thus increasing the consumer knowledge about a particular offering through various media platforms.

### 3.3.2 *Categorization Theory and Process*

Cambridge University defines “category” as a type, or a group of things (in a system for dividing things according to appearance, quality, etc.), having some features that are the same. Therefore, a category is a group or division of items or persons that are thought to have specific traits in common.

A branch of cognitive psychology known as the categorization theory aims to clarify how people categorize things, happenings and concepts. The premise of the categorization theory is that people classify objects using a set of guidelines or standards. These classification criteria, which are based on the characteristics of the things, enable us to make quick decisions about the world around us. This is the fundamental tenet of categorization theory, that individuals instinctively categorize the items in their environment in order to effectively comprehend and process it. People divide information into categories based on their prior knowledge and experiences, then utilize those categories to make sense of new information and direct their decision-making.



**Consumers' Categorization Process:** Consumer behaviour categorization refers to the way people arrange and analyse information about goods and services in order to make judgments about what to buy. Consumers group items into understandable and manageable groups using a variety of signals, such as brand name, price, product attributes and packaging. By lowering the cognitive effort needed to assess various goods and services, the categorization process aids customers in streamlining their decision-making. The categorization procedure, however, may result in prejudice against particular goods and services, which might result in a decline in sales and market share.

The mental process by which people classify things or stimuli into meaningful groups based on their perceived similarities and difference is referred to as the Consumers' Categorization Process. Customers may utilize categorization to structure and organise their surroundings. For instance, they could classify automobile brands according to sub-categories like sports cars, family cars and compacts. This makes it possible to base opinions on a new brand or car's classification, at least in part.

Categorization theory encompasses a variety of viewpoints and methods that have helped to shape and improve this theory. A succinct outline of some of the main categorization ideas and the pertinent consumer behaviour studies includes:

- 1. Prototype Theory:** According to the prototype hypothesis, people create idealized representations of categories based on their most representative or common characteristics. A "car" prototype, for instance, may include attributes like four wheels, an engine, and a steering wheel. According to this hypothesis, an item or stimulus is more likely to be classified as belonging to a category if it closely resembles the prototype.
- 2. Exemplar Theory:** According to the exemplar theory, people create categories by keeping track of particular examples or exemplars of the items or stimuli that fall within that category. In contrast to prototype theory, exemplar theory is based on a group of particular examples that have been seen previously rather than an idealized depiction of a category.
- 3. Hierarchical Categorization Theory:** According to the notion of hierarchical categorization, categories are arranged hierarchically,



with broad categories (like “animal”) including specific sub-categories (like “mammal”). According to this idea, people initially classify items broadly and subsequently narrow their classification when more information becomes available.

- 4. Construal Level Theory:** The construal level theory postulates that people classify things according to their psychological proximity or degree of abstraction. For instance, an automobile that is physically close to a person may be classified as a particular brand and model, but a car that is physically far away may be classified more abstractly as a means of transportation.

These are just a few illustrations of the various categorization hypotheses that have been put out in the study of consumer behaviour. But each theory offers a distinct viewpoint on how people classify and make sense of the environment, and how these classifications affect their attitudes and behaviour towards things and stimuli. Marketers and academicians may better understand consumer behaviour and create more successful tactics for influencing consumer attitudes and behaviours by studying many categories and methods in which people make sense of the environment.

### 3.3.3 Discrimination Process

The process of separating several categories or stimuli based on their differences or similarities is referred to as discrimination. Discrimination in consumer behaviour refers to making assessments and choices based on the perceived differences or similarities between goods, services, brands, and other stimuli. Since discrimination involves opposing various mental representations of categories, it is strongly connected to categorization. The models of discrimination are the contrast model and the assimilation model.

#### *Psychological Models Influencing Discrimination*

##### **1. Contrast Model**

In consumer psychology, the contrast model of discrimination is frequently used to describe how people interpret and assess various stimuli. In accordance with this approach, individuals frequently assess alternatives or items primarily on their differences rather than their core qualities.



According to the contrast model, in addition to an item's objective characteristics, other alternatives or objects in the environment may also have characteristics that affect how an object is seen to be.

The contrast model is a well-known social psychology paradigm that has been used to study a variety of topics, including consumer behaviour. According to this approach, the setting in which judgments and assessments are made has an impact on those making them. In particular, the contrast model contends that consumers assess stimuli in relation to other stimuli that are simultaneously present rather than in isolation.

The human visual system is built to recognize and process differences or contrasts rather than absolute values, which is one of the main tenets of the contrast model. In other words, individuals frequently assess a product or choice based on how it differs from similar products or alternatives that may be used as a benchmark. This is due to the fact that the brain processes relative differences better than absolute values.

**For Example:** A buyer attempting to decide between two cellphones, for instance. According to the contrast model, this customer will compare the relative merits of each smartphone's features, cost, and performance before making a decision. The buyer may side-by-side contrast the two cellphones, highlighting the variations in screen size, camera quality, battery life, and other characteristics. Even if both smartphones are objectively superior, the buyer may choose one over the other based on this comparison.

In conclusion, the contrast model of discrimination proposes that consumers assess stimuli according to their relative contrasts or differences rather than according to their absolute attributes. This concept has significant economic and marketing ramifications since it emphasizes how critical it is to display items in a way that shows their distinct benefits and advantages over competing goods. (Kardes et al., 2011)

## 2. Assimilation Model

According to this model, consumers use their prior knowledge and experience to evaluate new information, which shapes their perception and evaluation of the stimuli. The assimilation model is a psychological framework that explains how consumers make judgments and decisions



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by comparing stimuli and assimilating them into existing mental representations or categories.

According to the assimilation model, consumers have a propensity to classify inputs into the same categories or concepts when they are similar to one another. This classification is based on how similar the stimuli are judged to be, which might include a variety of characteristics including product features, brand image, packaging, pricing, and other contextual signals. The assimilation model further suggests that consumers often judge stimuli based on how similar they are in general rather than on their specific distinctions or distinguishing qualities.

**For Example:** A consumer who is looking to buy a new laptop might choose from a variety of manufacturers and products, including Apple, Dell and HP. The customer may classify the laptops into several mental images or categories, such as “high-end” or “budget” laptops, based on their prior experiences and knowledge. The user may further categorise the laptops under each category based on how comparable they view the features, performance, design, and pricing to be. By fast reducing their alternatives and choosing the laptop that best suits their requirements and interests, consumers may make better informed and optimum decision. In order to understand how consumers receive and assess information, the assimilation model has been extensively employed in marketing and consumer behaviour research.

### *Consumer Categorization and Discrimination in Marketing*

Processes for classifying and differentiating consumer behaviour have significant effects on marketing because they affect how consumer’s judge and select products, brands, services, and other stimuli. By modifying the qualities and features of their products and by framing their messaging and communications in the ways that appeal to customers’ mental models and evaluations, marketers may employ a variety of tactics to affect consumers’ categorization and discriminating processes.

The development and reinforcement of category schemas *i.e.* mental images of categories shared by a group of consumers is a typical marketing tactic. Marketers may boost consumers’ knowledge and affinity for their products and brands by modifying the characteristics and traits of their offers to fit into already-existing category schemas. To support the



perception of the energy drink category as a stimulating and revitalising beverage, for instance, an energy drink manufacturer can utilise marketing messaging and advertising that highlight the energising and refreshing aspects of their product.

Making sub-categories or niches within already-existing categories is another tactic used by marketers to set their products apart from those of rivals and appeal to particular customer demographics. Marketers can appeal to consumers' need for variety and customization by emphasising the special qualities and advantages of their items within a certain sub-category. To appeal to customers who are concerned about the environment, a firm that makes organic and natural skincare products, for instance, can establish a sub-category within the skincare category that emphasises the use of sustainable and eco-friendly components. (Hoyer et al., 2001; Lee & Aaker, 2004)

Additionally, marketers can affect consumers' categorization and discrimination processes by utilising framing and positioning strategies. Marketers may influence consumers' perceptions and assessments of their goods and brands by framing their messaging and communications in a way that emphasise particular qualities or advantages of their offers. To entice customers that seek status and social recognition, a manufacturer of luxury vehicles, for instance, can present its brand as being unique, smart and distinguished.

### 3.4 Thresholds and Consumer Memory Network

#### 3.4.1 *Threshold Levels*

Research evidence on how consumers process information to form perceptions, explains two different paths. The first path is known as bottom-up processing, where the information gathered by the sense receptors (sight, scent, touch, sound, taste) goes to our brain to be interpreted. The second path is top-down processing where our brain makes use of already stored information and recognition pattern developed through experience, expectations and goals. For example: There is a minimum intensity of a light bulb at which we can perceive that the bulb is switched on. But as the intensity keeps on increasing, a point is reached beyond which we



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cannot perceive any change in light. There are three thresholds for each sensory receptor.

- (a) An absolute threshold
- (b) The terminal threshold
- (c) The differential threshold or Just-Noticeable Difference (JND)

**(a) An Absolute (Lower) Threshold:** It is the lowest intensity level at which a person can experience a sensation of the existence of the stimuli. Below this point, physical stimulus cannot be detected. It is the lowest point at which an individual can detect a difference between “something” and “nothing.”

**For Example:** The farthest distance from which we can spot specific billboard on the road or highway while driving. If two people are present in the same vehicle one may spot that billboard earlier than the other, implying that people have different absolute thresholds.

**(b) The Terminal (Upper) Threshold:** It is the point beyond which additional increase in intensity of a stimulus will not produce greater sensation. We get used to certain sensations and therefore are not able to notice the stimulus; this is termed as sensory adaptation.

**For Example:** The bright sunlight, as the exposure to the stimulus increases, we notice it less. Due to this sensory adaptation companies need to change their advertising campaign regularly. Overexposure to advertisements results in consumers getting adapted to the advertisement, such that they stop noticing the advertisements. It means the current advertisement is not providing sufficient sensory input to be noticed by consumers.

**(c) The Differential Threshold or Just-Noticeable Difference (JND):** The minimal increment in the intensity of the stimulus which can be detected by an individual.

**For Example:** During recession, consumers become very price sensitive and probably note even small change in price of a product or service. Companies keep the price same but lower the quantity of the product by a small quantity, keeping change in the quantity below the just-noticeable difference.



### 3.4.2 Consumer Memory and Retrieval

Memory allows an individual to record and later retrieve information related to products or services. Consumer memory is a massive network of associated ideas and concepts. The most powerful advertisement is of no value if it fails to make lasting impact on the recipient. So, marketers and advertising agencies must understand how the brain encodes information around us and how it enables its retrieval by associating it with other information already stored in the memory.

#### Memory Types

There are three distinct types of memory systems that play an important role in processing information related to different brands.

1. **Sensory Memory:** It allows storage of information we acquire from our senses. The vivid detail in this type of storage lasts for a very short period of time.

**For Example:** Seeing a dog or a cat, aroma of noodles, croissants or coffee etc. Our sensory organs send information to brain. If this information is retained in the memory for further processing, it proceeds to short term memory.

2. **Short Term Memory:** It also stores memory for limited time period with limited capacity. It is defined as the ability to remember small amount of information for a short time period.

**For Example:** If we have to remember an important mobile number and there is no way to write it down at a particular time or remembering details of the topic we read a few days back.

3. **Long Term Memory:** It allows an individual to store information for longer period of time. Long term memory can hold information for unlimited period of time.

**For Example:** Recalling important events or dates in distant past like birthday, skill learned in school, memory of riding a bicycle for the first time etc.



### ***Consumer Memory Process***

There are four main stages in the consumer memory process are external input, encoding, storage and retrieval. When consumer is first exposed to specific information on product features they can recall very little. If the information interests the consumer they then encode and store that information for future use. That information can be later retrieved by consumer if needed. This process of retrieval involves getting data from long term memory. The information then moves from short term memory to long term memory only when rehearsal takes place. Rehearsal involves consumer getting exposed to the message and given opportunity to repeat the information. Consumers have lot of information stored in their brains as long term memory which can be accessed by providing signals that aid retrieval of information.

## **3.5 Consumer Learning**

### ***3.5.1 Meaning of Learning***

The majority of human behaviour is learned by experience over time. Hence, one of the initial and the most crucial components that determine and guide a consumer's behaviour is learning. Learning encompasses permanent changes in a person's behaviour arising out of the experience. Learning for a consumer can occur in numerous ways including observational learning, operant conditioning, cognitive learning etc.

In order to make wise purchases, consumers participate in a variety of learning activities. A variety of sources, including commercials, salespeople, friends and family, internet reviews, and personal experience, may be used to obtain information by them. This learning of information affects consumer's attitudes, beliefs, and perceptions about goods and services, and influences consumers' behaviour. For instance, if a customer has a pleasant brand experience, they are more likely to have a favourable opinion of the brand which can result in repeat business and brand loyalty. On the other side, if a customer has a bad experience with a brand, they could choose competitor's goods or services. This procedure, through which customers learn about goods, services, brands, and their characteristics, is referred to as consumer learning.



### 3.5.2 Theories of Learning

#### 1. Cognitive Theory of Learning

Cognitive learning theory focuses on how knowledge and memory are processed inside the human brain. From educating newborns to training adults who are picking up new skills on the job, cognitive learning has applicability in numerous settings, including consumer purchase decision making & associated behaviours.

Cognition refers to the processes of the mind that lead to the acquisition, storage, retrieval, and use of information. It includes perception, attention, memory, language, problem-solving, reasoning, and decision-making, and is closely tied to brain function (Miller & Cohen, 2001).

This idea of cognition, *i.e.*, all consciously and unconsciously mental activities that lead to knowledge acquisition, including perception, recognition, conception, and reasoning, is at the heart of the cognitive learning theory.

#### *Social Cognitive Theory of Learning*

Theories of learning that emphasise social interaction, role-playing, and observational learning are known as social cognitive theories of learning. Bandura (1977) proposed the social learning theory, one of the most well-known social cognitive theories of learning. This theory proposes that learning happens through imitation and observation of role models, as well as by rewarding and punishing behaviour. This theory also emphasizes the idea of self-efficacy, or confidence in one's own capacity to complete a task.

The situated cognition approach, which emphasizes the significance of environment and culture in learning (Lave & Wenger, 1991), is another significant social cognitive theory of learning. This theory holds that information is learned by involvement in real-world activities and social interactions, and that learning takes place within the context of the activity.

#### 2. Behavioural Theories of Learning

Instead of focusing on internal cognitive processes, behavioural theories of learning emphasise the exterior behaviours that can be observed and evaluated. Developed by Ivan Pavlov in the early 20th century, **classical**



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**conditioning** is the most well-known behavioural theory of learning. A conditioned response, such as salivation, is produced when an unconditioned stimulus, like food, is combined with a neutral stimulus, such as a bell, in classical conditioning. According to Pavlov (1927), this method may be used to explain a wide range of behaviours, including phobias, addictions, and other types of learning.

The **operant conditioning** theory of learning, created by B.F. Skinner, is another well-known behavioural theory of learning. According to the results, behaviours in operant conditioning are either rewarded or disapproved. Negative reinforcement, such as the elimination of an unpleasant stimulus, also increases the probability that behaviour will recur. Positive reinforcement, such as prizes or praise, also raises the likelihood that behaviour will occur again. The possibility that behaviour will occur again is reduced by punishment, such as the imposition of an unpleasant consequence (Skinner, 1953).

### 3. Constructivist Theories of Learning

Constructivist theories of learning place more emphasis on the student actively creating knowledge and meaning rather than on the instructor just disseminating it. The cognitive constructivism hypothesis, created by Jean Piaget in 1977, is one of the most well-known constructivist theories of learning. This idea holds that *via* absorption, accommodation, and adaptation, learners actively generate knowledge. While accommodation entails changing current structures to accommodate new knowledge, assimilation refers to the act of integrating new information into pre-existing mental structures. The process of adapting entails changing one's mental framework in response to new knowledge and experiences.

#### 3.5.3 Connectionist Approach

One of the most influential learning theories in the fields of cognitive science and psychology, Connectionism is a learning theory that presents learning as an outcome of a connection between a stimulus and a response. The central tenet of connectionism is that *via* learning, organisms may make connections between inputs and reactions. A stimulus is anything or an event that affects or causes an action or consequence. A response is an



activity or result that follows the occurrence of the stimulus. According to connectionism, learning occurs when a link is created by way of trial and error between a stimulus and a satisfying response.

Furthermore, connectionism explains learning through obvious and observable events. According to connectionism, external stimuli and visible reactions are more important than interior processes that are unseen to outsiders during learning. The principles of the neural network in the brain serve as the foundation for connectionist learning, sometimes referred to as neural network learning. According to this theory, learning happens when neurons' connections change in response to environmental cues. As they can replicate the intricate relationships between information inputs and outcomes, connectionist learning models are important for describing how consumers gather and utilize information to make decisions.

### 3.5.4 Thorndike's Connectionism Theory

American psychologist Edward Thorndike (1874–1949) studied learning. Thorndike created a connectionism hypothesis *via* his work. According to Thorndike's hypothesis, learning occurs when reactions and stimuli get attached to one another. Many scientists consider Thorndike to be one of the pioneers in the use of an animal learning paradigm. He identified the rules that control behaviour and learning by examining animals.

In a famous connectionism experiment, psychologist Edward Thorndike enclosed a cat in a puzzle box with a piece of fish visible from the outside. The box's internal latch allowed it to be opened. The cat initially had no idea how to escape the box and reach the fish. It eventually unintentionally opened the lock and got at the fish. The cat eventually started to link the latch action with the box opening and the fish reward. The cat became adept at using the box and enjoyed the positive outcome.

According to Thorndike's view, learning is about responding to stimuli, emphasizing the connection between a stimulus and a response. Different reactions are triggered by the same input. A satisfied sensation is one possible reaction. A stimulus-response bond, or S-R bond, is formed when a stimulus and a satisfying response to it. The S-R bond increases the likelihood that the response will take place when the stimulus is presented again. The S-R link was used by Thorndike to describe how learning is



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mediated and affects subsequent decision-making. Furthermore, the S-R linkages may get stronger with time.

### 3.5.5 Non-Connectionist Approach

The variety of cognitive processes through which consumers learn new information, knowledge, and a skill using non-associative and non-reinforcement-based methods is referred to as non-connectionist consumer learning. Non-connectionist learning does not include the strengthening or weakening of neural connections, in contrast to connectionist learning, which is based on the creation of associations between stimuli and responses. These processes do not involve the formation of direct associations between stimuli and responses.

Habituation, sensitization, observational learning, and cognitive learning are a few examples of non-connectionist consumer learning. Consumers become less receptive to a repeated stimulus over time, which is known as habituation. On the other hand, sensitization happens when a customer gradually increases their responsiveness to a stimulus. While cognitive learning includes gaining new information *via* deliberation, problem-solving, and decision-making, observational learning entails picking up new behaviours and abilities by observing others practice them.

Marketing and advertising may be significantly impacted by non-connectionist consumer learning. For instance, marketers might employ habituation strategies to reduce consumer receptivity to specific marketing messages or observational learning strategies to instruct customers on how to utilize a new product. Understanding the various consumer learning mechanisms may aid marketers in creating more successful communication to promote their goods and services.

#### IN-TEXT QUESTIONS

1. Intangibility, Perishability, Inseparability & Variability are the characteristics of \_\_\_\_\_.
  - (a) Products
  - (b) Services
  - (c) Goods
  - (d) Both (a) & (b)



2. \_\_\_\_\_ is not an element of physical evidence.
  - (a) Employee Dress
  - (b) Employee Training
  - (c) Equipment
  - (d) Facility Design
3. Service marketing is the same as \_\_\_\_\_.
  - (a) Digital Marketing
  - (b) Retail Marketing
  - (c) Ambush Marketing
  - (d) Relationship Marketing
4. In Services Marketing, All of the following are examples of services except \_\_\_\_\_.
  - (a) Insurance & Banking
  - (b) Income-tax Filing
  - (c) Salon
  - (d) Computer Software
5. \_\_\_\_\_ is NOT accepted as being part of the extended marketing mix for services.
  - (a) Promotion
  - (b) Place
  - (c) Product
  - (d) Practice
6. Services that occur without interruption confusion or hassle to the customer is called \_\_\_\_\_.
  - (a) Seamless Service
  - (b) Digital Services
  - (c) Marketing Myopia
  - (d) Functional Services



7. In addition to the traditional four Ps, the services marketing mix includes \_\_\_\_\_.
- (a) Process, Physical Evidence & Purpose
  - (b) People, Process & Physical Evidence
  - (c) Product, People & Physical Environment
  - (d) Public, Process and Practice
8. Customers ultimately determine the services by \_\_\_\_\_.
- (a) The type of competitors
  - (b) Levels of marketing effectiveness and operational efficiency
  - (c) Cycle of fluctuations
  - (d) Price of the competitors

### 3.6 Summary

In this lesson we have discussed consumer perception and knowledge and why it is important for marketers to understand these process to tap its customers and market their products and services. We also understood consumer categorization process and discrimination. The premise of the categorization theory is that people classify objects using a set of guidelines or standards. These classification criteria, which are based on the characteristics of the things or things that are being classified, enable them to make snap decisions about the world around them. Thresholds levels along with consumer memory network were also discussed in this lesson which tells that marketers and advertising agencies must understand how consumer brain encodes information and remember it by associating it with other information already stored in his memory. Lastly, importance of consumer learning along with connectionist and non-connectionist approaches were discussed that the continually changing procedure of consumer learning is the cornerstone of consumer behaviour.



### 3.7 Answers to In-Text Questions

1. (b) Services
2. (b) Employee Training
3. (d) Relationship Marketing
4. (d) Computer Software
5. (d) Practice
6. (a) Seamless Service
7. (b) People, Process & Physical Evidence
8. (b) Levels of marketing effectiveness and operational efficiency

### 3.8 Self-Assessment Questions

1. Explain the difference between perception and sensation? Explain through an example the relevance of perception in understanding consumer behaviour?
2. Discuss the difference between the absolute threshold and the differential threshold. Explain application of the concept in the marketing context?
3. Most behaviours' are learned: Some from experience of the self and some from experience of others. Discuss this statement.
4. Explain the difference between connectionist and non-connectionist approaches of learning?

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# Motivation and Drive

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## STRUCTURE

- 4.1 *Learning Objectives*
- 4.2 *Introduction to Motivation and Consumer Needs*
- 4.3 *Theories of Motivation*
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## 4.1 Learning Objectives

- ◆ Familiarising oneself with consumer decision-making.
- ◆ Understand the function of sub-conscious motivation and the developments of Freud's theory of motivation.
- ◆ Identify and explain content theories and process theories of motivation.
- ◆ Learn the concept of personality.
- ◆ Understanding the marketing implications of the concept of personality.
- ◆ Understand and apply various personality theories to consumer behaviour.
- ◆ Learn how consumer purchases can reflect on their personalities and how their personality types can have an impact on the time, techniques, and purchases they make.



## 4.2 Introduction to Motivation and Consumer Needs

Motivation is at the very core of everything we do in our daily lives, as it not only makes us take action but also drives us to pursue a specific goal and even carry out our daily chores. Simply put, motivation is the driving force behind our actions and is, in fact, also the starting point of the actions we take.

Imagine you have a big exam coming up, and you really want to get a good grade. The desire to do well in the exam is your motivation. It pushes you to study hard every day, even when you feel tired or bored. Motivation is what gets you out of bed in the morning to start studying and keeps you going until you achieve your goal of facing the exam. Without motivation, you might not even start studying or put in the effort needed to succeed.

Motivation is a complex psychological concept, and everything from our needs to our wants, or expectations is linked to it. Put simply, it drives our desires and urges us to buy things in order to satisfy them, both mentally and economically.

So as consumers, our purchasing decisions are based on the motives that prompt us to buy a particular product or service. If you are a marketer, you must recognize these motives and comprehend why and how customers make purchases. By doing this, marketers can provide goods or services that meet the needs and desires of customers, boosting sales and elevating client satisfaction. An understanding of this can help marketers create motives and demands, even when there's no immediate reason to buy. Remember, a need becomes a motivator only when it is awakened. This means that marketers need to evoke a desire or want in people before they can motivate them to buy their goods or services.

### 4.2.1 Understanding Motive

The impulse or motive that pushes someone to pursue fulfilment is known as a motive. This may include all the internal elements like wishes, desires, needs and drives.



While wishes are typically future-oriented desires or aspirations, desires are strong longings for something appealing or satisfying. Meanwhile, needs are essential for survival and well-being. Drives are internal forces that motivate individuals to take action to act and fulfil their needs or desires, propelling them towards specific behaviours or goals. These factors can manifest in the form of purchasing a good or service.

Customers purchase goods for a range of psychological and financial reasons. Motivation, in the words of Berelson and Steiner, is an underlying condition that energizes, activates, and guides behaviour in the direction of goals. Therefore, in terms of consumer behaviour, motivation can be characterized as the desire to acquire a product to satisfy needs and to improve one's self-image by choosing products and brands.

### **External and Internal Motivation**

External motivation stems from outside factors such as rewards, incentives, or social pressure. Understanding the various types of consumer motivation will help you create better marketing strategies and provide more value to your customers.

The motive behind a consumer's purchases influences their decisions significantly, and can be caused by fear, the desire for material gain, vanity, pride, fashion trends, the need for possession, affection, comfort, sexual pleasure, or romance. These are what we call internal motivations, and they influence an individual's behaviour and decisions.

### **The Concept of Stress and Tension**

An unfulfilled need may create tension, and becomes the driving force and forces towards actions. For instance, a person's need for convenience might lead him/her to buy a smartphone with advanced features. Recognizing and catering to these internal motivations is essential in consumer behaviour and marketing for creating successful strategies and satisfying customers.

Often, instead of a single motive, several of them can affect consumer behaviour. However, it is important to note that the intensity of these motivations usually varies, or even change over time. For instance, a



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cool, nice day makes it easier to get motivated to jog in the morning than a hot, muggy day.

The concept of stress and tension arises when there is a difference between an individual's current state and their desired state. Motives play a significant role in either alleviating or intensifying this stress. When our goals and intentions are in harmony, tension is reduced. However, conflicting motives, which pull us in different directions, increase tension.

### 4.2.2 Factors Influencing Motivation

Assume that a person named Tanmay wants to purchase a car. Various features of the car will be considered by Tanmay when arriving at his final choice, e.g., the brand name, the mileage, and safety features. If a marketer only focuses on one feature, they may not achieve the desired level of sales. As a result, understanding consumer motivation is crucial for marketers. This is where three fundamental theoretical assumptions come into play:

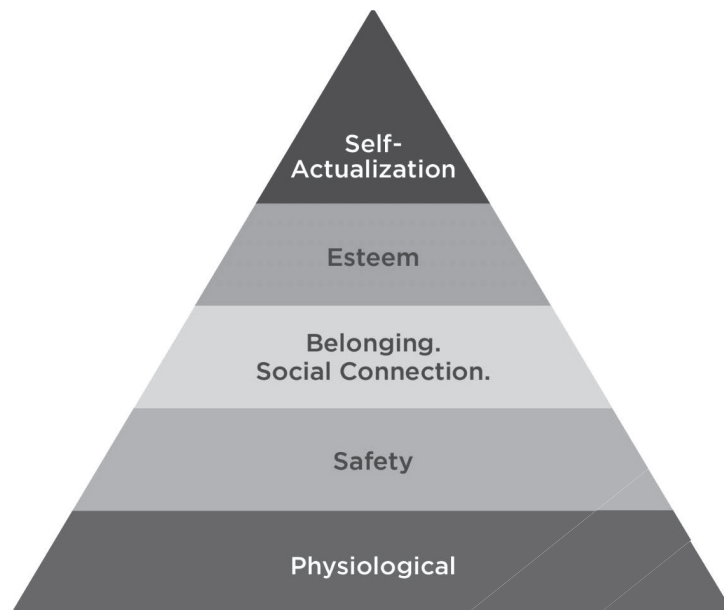
- (a) All human activities are motivated and not always spontaneous,
- (b) Consumers buy products influenced by specific motives,
- (c) Consumers are goal-oriented individuals who satisfy their needs through consumption, and
- (d) Consumers are motivated individuals.

### 4.2.3 Video on: What is Motivation?

<https://www.youtube.com/watch?v=l3rRNmVrHV8>

### 4.2.4 Hierarchy of Consumer Needs

Abraham Maslow, a psychologist, introduced widely popular and foundational theory known as Maslow's Hierarchy of Needs. This theory seeks to understand society and human behaviour across various social classes. His theory, which is also known as Maslow's theory, is commonly graphically presented in the form of a pyramid.



At the base of this pyramid lie the most fundamental needs, while the need for self-actualization occupies the top. According to Maslow's theory, an individual's primary needs must be fulfilled before they develop a strong desire or motivation for secondary or higher-level needs.

### **Physiological Needs**

Physiological needs are essential for human survival and are generally straightforward. These basic conditions must be met for the human body to function properly. Every human requires access to necessities like air, water and food. Some basic examples of physiological needs are clothing and shelter.

### **Safety Needs**

After individuals essential basic needs related to survival are met, they tend to turn their focus to meet their safety needs. These safety needs may manifest as a desire for financial security, job security, insurance coverage, or other similar forms of protection. This is especially true when economic stability is lacking, as seen during economic crises or a lack of job prospects.



### **Love and Social Needs**

After fulfilling their basic physiological and safety needs, individuals tend to focus on satisfying their social needs - the third layer of human needs. This pertains to the desire for a sense of belonging and acceptance, whether it is derived from participation in larger social groups such as a community or club, religious organizations, or professional networks, or from intimate personal connections like family, close friends, mentors or romantic partners. Feeling loved and accepted, both emotionally and physically, is a fundamental component of this layer.

However, in certain circumstances, the pressure to conform to social norms can override the need for physiological and security needs. For example, individuals with addiction issues may neglect their health and well-being in favour of social acceptance and integration with a peer group.

### **Esteem Needs**

Every person naturally wants to be appreciated, feel confident in themselves, and be respected. This concept of esteem refers to the human need to be recognized and valued by others. Most people find it important to maintain their sense of self-worth and respect. Note that Maslow distinguishes esteem into two categories, lower and higher esteem demands. The desire for other people's respect in terms of position, notoriety, popularity, prestige and attention, is referred to as the lower need. Things like power, skill, mastery, self-assurance, independence, and freedom fall under the other category.

### **Self-actualization Needs**

Self-actualization is about reaching one's full potential and becoming the best version of oneself. Maslow claims that this desire is the drive to become everything that one is capable of being, or to become a greater version of oneself.

## **4.2.5 Video on Maslow's Hierarchy of Needs**

[https://www.youtube.com/watch?v=O-4ithG\\_07Q](https://www.youtube.com/watch?v=O-4ithG_07Q)

**IN-TEXT QUESTIONS**

1. What is motivation?
  - (a) The result of taking action
  - (b) The desire or drive to take action
  - (c) The satisfaction of achieving a goal
  - (d) The process of analyzing customer motivation
2. Which of the following is NOT a factor that can influence consumer behaviour?
  - (a) Fear
  - (b) The desire for material gain
  - (c) The need for possession
  - (d) The need for exercise
3. What is the third layer of human needs in Maslow's hierarchy of needs?
  - (a) Physiological needs
  - (b) Safety needs
  - (c) Love and belonging
  - (d) Esteem
4. What are internal motivations?
  - (a) External factors that influence an individual's behaviour and decisions
  - (b) Someone pushing you to pursue fulfilment
  - (c) Desires, needs, and drives that influence an individual's behaviour and decisions
  - (d) The fundamental physical needs that must be met
5. According to Berelson and Steiner, motivation is not characterized by?
  - (a) The desire to acquire something to satisfy needs and to improve one's self-image
  - (b) The need for physiological and safety needs



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- (c) The desire for a sense of belonging and acceptance  
(d) All of the above
6. How can marketers benefit from understanding customer motivation?
- (a) By providing goods or services that meet the needs and desires of customers, boosting sales and elevating client satisfaction  
(b) By reducing stress among people  
(c) By focusing on one characteristic to achieve the desired level of sales  
(d) By arousing in them a desire or want to buy a particular product or service
7. Which of the following best defines motivation in the context of consumer behaviour?
- (a) The driving force behind consumer actions and decisions  
(b) The desire to satisfy physiological needs  
(c) The need for social acceptance and belonging  
(d) The aspiration to achieve self-actualization
8. According to Maslow's hierarchy of needs, which need is considered the most fundamental?
- (a) Physiological needs  
(b) Safety needs  
(c) Love and belonging  
(d) Self-actualization
9. What are the internal motivations that influence consumer behaviour?
- (a) Fear, desire for material gain, vanity and pride  
(b) Fashion trends and the need for possession  
(c) Affection, comfort, sex appeal and romance  
(d) All of the above



- 10.** How does understanding consumer motivation help marketers?
- (a) It allows them to manipulate consumers into buying their products
  - (b) It helps them meet the needs and desires of customers, increasing sales and customer satisfaction
  - (c) It enables them to create artificial motives and demands
  - (d) It provides insights into spontaneous consumer behaviour
- 11.** What is the concept of self-actualization in Maslow's hierarchy of needs?
- (a) The desire for social acceptance and belonging
  - (b) The need for recognition and respect from others
  - (c) The aspiration to become everything one is capable of being
  - (d) The pursuit of physiological and safety needs
- 12.** What is the significance of Maslow's hierarchy of needs for understanding consumer behaviour?
- (a) It provides a rigid system for categorizing consumer needs
  - (b) It helps marketers manipulate consumer behaviour
  - (c) It allows for a comprehensive understanding of general consumer behaviour
  - (d) It is irrelevant to the field of marketing
- 13.** Which of the following is not one of the levels in Maslow's hierarchy of needs?
- (a) Physiological needs
  - (b) Esteem needs
  - (c) Power needs
  - (d) Love and belonging needs
- 14.** How do motives affect consumer behaviour?
- (a) Motives have no impact on consumer behaviour
  - (b) Motives can reduce stress among consumers
  - (c) Conflicting motives can increase tension and stress
  - (d) Motives determine the availability of goods and services



15. What is the driving force behind consumer actions and decisions, according to the text?

- (a) Perception
- (b) Needs and wants
- (c) Communication
- (d) Motivation

### 4.3 Theories of Motivation

There are numerous theories that attempt to explain human motivation. Apart from Maslow's theory, as discussed above, here are some of the other significant theories that elucidate consumer motivation: The Psychoanalytic theory, the Gestalt theory, and the Cognitive theory.

#### 4.3.1 *Motivation and the Theory of Psychoanalysis*

The psychoanalytic theory is crucial and is used by marketers to maintain existing brands' success and launch new ones based on consumer preferences. To reach a broader audience and boost sales, marketers need to establish their brands in the minds of consumers.

According to the Freudian motivation theory, an individual's behaviour, including their purchasing patterns, is influenced by unconscious psychological forces, such as hidden wants and motives. This theory was originally developed by Sigmund Freud.

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

Freud identified three main forces governing the human psyche: The Id, Superego, and Ego. The Id is an innate, amoral force that fuels strong desires, driving people towards pleasure-seeking and aggression without regard for ethics. It seeks instant gratification, leading to impulsive acts.

The Superego, on the other hand, acts as the conscience, compelling individuals to uphold moral norms and prioritize morality over basic wants. It motivates people to act heroically or virtuously.

The ego represents the rational and realistic part of the mind. The ego acts as a mediator between the impulsive and sometimes irrational desires



of the Id and the moral constraints of the Superego. Its primary function is to balance and satisfy the needs of the Id in a way that is socially acceptable and aligns with the moral standards set by the Superego.

### **The Freudian Motivation Theory**

The Freudian motivation theory finds extensive application in various fields, including sales and marketing, as it helps in comprehending a target customer's motivation while making a purchase decision. Specifically, this theory has been utilized to explore the correlation between the sensory characteristics of a product, such as its touch, taste, or scent, and the memories they can evoke in an individual. Recognizing how a product's elements trigger an emotional response in the consumer can guide marketers or salespersons on how to steer them towards making a purchase.

According to Freudian motivation theory, the sales process involves fulfilling both the conscious and unconscious needs of the consumer. For instance, while purchasing blinds to cover a window is a conscious, functional need, the unconscious need to avoid being seen naked by outsiders also comes into play.

To sell furniture, a salesperson might ask if it's the consumer's first home and then highlight its coziness and comfort, creating a sense of security. These ideas can assist market researchers in comprehending the factors influencing a particular purchase by looking at both the conscious and unconscious motives of consumers as well as taking societal expectations into account. These perceptions can help in understanding why a customer selects a certain commodity or service.

### **4.3.2 Video on Freud's Psychoanalytic Theory**

<https://www.youtube.com/watch?v=7vFf5CS27-Y>

### **4.3.3 Gestalt's Theory of Motivation**

Gestalt psychologists, including pioneers like Max Wertheimer, Wolfgang Köhler, and Kurt Koffka, propose that a person's motivation is influenced by the simultaneous interaction of all the forces within their mind and psyche.



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According to Gestalt psychologists, a person's motivation is shaped by the interaction of all the forces within their mind and psyche. This includes mental factors like past experiences, individual objectives, and the environment. It is believed that motivation is the result of all of these factors acting simultaneously within a person. All the factors that have shaped the person over the course of their life, including desires, anxieties, and inhibitions, must be considered in order to fully comprehend motivation.

When a need is unmet, it results into tension, which prompts the person to act and seek satisfaction by reflecting on the total force or valence of their actions. Both the advantages and disadvantages of meeting the unmet demand are considered in this evaluation. The person cognitively balances these variables, forming an equation that ultimately decides their behaviour. For instance, a person will be driven to buy something if the favourable results outweigh the bad ones.

In a modern approach to understanding motivation, cognitive theorists contend that motivation is a crucial component of one's mental structure. They argue that motivation arises from how individuals use their cognitive abilities to absorb information and assess different aspects of a situation. Beliefs, values, images, experiences, attitudes, and perceptions are all included in this cognitive structure. Human behaviour is viewed by cognitivists as a process of problem-solving.

Studying consumer motivation in connection to their overall behaviour is a priority for cognitive theorists. They believe that there may be more than one objective involved in the acquisition of a good or item. As a result of this viewpoint, the research, which has been useful in examining consumer behaviour, has grown, and has consequently given important insights into industries like packaging and advertising.

#### 4.3.4 Cognitive Theory and Motivation

Within the realm of cognitive theories of motivation, two prominent theories are the Expectancy Theory and the Goal-Setting Theory. A person may choose one behavioural option over others for a variety of reasons, and the Expectancy Theory explains why and how this is done. The Goal-Setting Theory, on the other hand, places a strong emphasis on the value of setting goals when trying to motivate people.



### The Expectancy Theory

In 1964, Victor H. Vroom put forth the Expectancy Theory, which sheds light on the decision-making process by which individuals choose one behavioural option over another in pursuit of their goals. Vroom introduced three variables to explain this behavioural process: “V” for valence, “E” for expectancy, and “I” for instrumentality.

$$\text{Motivation} = V * E * I$$

“V” stands for valence represents the value or desirability an individual attaches to a specific outcome, indicating the level of attractiveness or averseness.

“E” stands for expectancy reflects a person’s belief in their ability to achieve the desired outcome, considering the perceived likelihood of success.

“I” stands for instrumentality refers to the person’s belief in the relationship between performance and outcomes, assessing whether their efforts will lead to achieving the desired outcome.

Together, these variables play a crucial role in understanding how individuals evaluate and make decisions based on the expected outcomes and their perceived value, as well as their belief in the effectiveness of specific actions to achieve desired results.

### The Goal-Setting Theory

Edwin Locke introduced the Goal-Setting Theory as an additional cognitive theory of motivation during the 1960s. According to this theory, the establishment of goals impacts task performance. Setting specific and challenging goals is more likely to motivate individuals and enhance their task execution, whereas vague and easy goals can lead to subpar performance. In practical application, goals should adhere to the SMART principle: They should be Specific, Measurable, Attainable, Realistic and Time-Bound.

#### 4.3.5 Video on Motivation Theories

<https://www.youtube.com/watch?v=woa2Qa8i80U>



## 4.4 Understanding Personality Theories

The main goal of studying consumer behaviour is to understand what customers want and convert them into actual buyers. To achieve this goal, it's crucial to comprehend consumer preferences, priorities and personalities.

Personality refers to the psychological traits that people have and how they influence reactions to their surroundings. It significantly influences how an individual develops preferences for various goods and brands. Marketers can use this knowledge to develop products and choose the best time and strategy for promoting their products. Individual characteristics, preferences, and other elements can be used to categorise personalities.

Although personalities tend to be relatively constant, they can change as a result of significant life events like marriage birth or death. Additionally, it may change gradually with time. Marketers can successfully customise their marketing techniques to resonate with their target audience by connecting with an individual's personality attributes.

### 4.4.1 Trait Theory

When the characteristics of a person or their propensity makes them behave in a certain way it is known as traits. The identification of traits of targeted customers by marketers is crucial because, according to the trait theorists, an individual's personality is shaped by the traits they possess. Trait theory represents a category of theories that explore multiple aspects of personality and is based on certain assumptions, including the stability of traits and the existence of a limited number of traits that are shared by most people.

Traits such as compulsiveness, ambition, gregariousness, dogmatism, authoritarianism, introversion, extroversion, aggressiveness, and competitiveness are commonly associated with personality descriptions. The organization of these traits determines an individual's response to stimuli, leading to labels such as aggressive or compliant, impulsive or dominant, friendly or aloof and more.

These traits are formed early in life and tend to remain relatively stable over the years. Psychologists and marketing researchers have developed



personality scales to measure the extent to which individuals exhibit specific traits. By assessing psychographic traits like confidence, gregariousness, conscientiousness, assertiveness, neuroticism, and adventurousness, marketers can shape product development and promotional messages.

### **Jung's Theory of Traits**

Jung's theory is one of the earliest trait theories, emphasizing inborn traits called temperaments. It delves into how these inherent qualities shape an individual's behaviour and personality. These temperaments were later used by Myers and Briggs, two of Jung's students, to develop the most well-known personality test, the Myers-Briggs Type Inventory (MBTI). The theory of Jung emphasises the importance of introversion and extraversion. A preference for the inner world is known as introversion, which is frequently linked to shyness and a need for privacy. Extraversion, on the other hand, is a propensity to look for enjoyment in the outside world, especially through social connections. Introverts may feel a little out of place in a society that prizes extraversion, even though majority of individuals are extraverts. However, there are cultures where extraverts are seen as outliers. Jung believed that introversion-extraversion was innate and fixed throughout life, although individuals can learn to exhibit behaviours more characteristic of the opposite trait.

#### **4.4.2 Video on Trait Theory**

<https://www.youtube.com/watch?v=oUgCivKxbAE>

#### **4.4.3 Psychoanalytic Theory of Personality**

It was Sigmund Freud, also known as the father of psychology, who developed the psychoanalytic theory of personality which is considered the foundation of modern psychology. The theory is based on several key assumptions like the fact that unconscious needs and drives are central to human motivation and personality. He also highlighted that the socialization process influences individual behaviour, and the human psyche consists of both conscious and unconscious elements.

Apart from that, Freud also identified three components of the psyche. The first one is Id and it operates based on the pleasure principle, seeking



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immediate fulfilment of needs and desires. It is the unconscious part of the personality. The second part of the psyche is the ego. The ego represents self-awareness and distinguishes oneself from others. It focuses on past glories, future hopes, and feelings of guilt. The third component, the superego provides guidelines for judgment and moral standards. These components work together to shape an individual's personality and behaviour.

Psychodynamics encompasses a cluster of interconnected theories derived from Freud's work and developed by various thinkers such as Adler, Jung, Lacan, Horney, Fromm, Erikson and McDougall. Referred to as "neo-Freudian," these theories have selectively embraced or dismissed elements of Freud's ideas while retaining the foundational assumptions of psychoanalysis. A significant contribution of psychodynamics is its recognition that behaviour is driven by unconscious needs and conflicts.

#### 4.4.4 *Neo-Freudian Theory of Personality*

Neo-Freudian Theory suggests that social interaction and relationships play a crucial role in the development of personality, in contrast to Freud's emphasis on genetics and early childhood experiences. This theory focuses on the process of socialization and its impact on personality formation.

The Neo-Freudian Theory, proposed by psychologists like Alfred Adler, Karen Horney, and Erik Erikson, highlights the significance of social interaction and relationships in personality development, as opposed to Freud's focus on genetics and early childhood experiences. They emphasized on the process of socialization and its influence on personality formation.

##### **Alfred Adler**

Adler emphasized the significance of social factors and the individual's pursuit of superiority or "striving for perfection." He believed that early experiences, particularly in childhood, shape an individual's personality and that people are motivated by their desire to overcome feelings of inferiority.

##### **Erik Erikson**

Erikson expanded Freud's theory by proposing a psychosocial developmental model encompassing the entire lifespan. He believed that personality



development occurs through a series of psychosocial stages, each with a specific developmental task. These stages involve interactions with others and the social environment, shaping an individual's sense of identity and ability to form healthy relationships.

### **Karen Horney**

Karen Horney, a follower of Sigmund Freud, proposed a modified theory of personality emphasizing social interactions. The first type is compliant personalities and they seek love and affection, prefer known brands, and are influenced by emotional connections. Another type is the aggressive personality; these people strive for power and success, display manipulative behaviour, and are driven by a need for recognition. Then there is the detached personality, and they are self-reliant, independent, and less influenced by brands, focusing more on individuality.

Based on these personality types, it's crucial for marketers to utilize Neo-Freudian theories to segment markets and position their products accordingly.

### **4.4.5 Gestalt Theory of Personality**

The Gestalt theory of personality suggests that an individual's personality should not be understood as separate characteristics, but rather as the interaction of various personal traits. According to Gestalt psychologists, internal characteristics combine with an individual's life experiences to shape their personality. The valence, or the overall positive or negative impact of these elements, interacts with motivation and attitude to determine behaviour. In essence, the Gestalt theory emphasizes the totality of a situation and views personality as the cumulative effect of interconnected personal characteristics.

The "Law of Simplicity" is a fundamental concept in Gestalt psychology, suggesting that individuals tend to perceive and organize stimuli in the simplest and most coherent way possible. For marketers, understanding this principle can be valuable when designing advertisements or product presentations. By presenting information in a clear and straightforward manner, marketers can enhance the consumers' perception and comprehension, increasing the likelihood of engagement and positive responses.



#### 4.4.6 *Stimulus-Response Theory of Personality*

The Stimulus-response theory states that organisms respond to environmental stimuli, and responses that are reinforced become permanent while those negatively reinforced are extinguished. Learned responses may also diminish without positive reinforcement. An individual's personality is the accumulation of these learned response habits over time. Therefore, according to this theory, personality patterns can change as new experiences shape the combination of learned responses and some responses are eliminated due to lack of reinforcement. This suggests that personality is a flexible concept, contrasting with the traditional view of personality as consistent and enduring.

#### 4.4.7 *Cognitive Theory of Personality*

The cognitive theory of personality emerged as a response to the limitations of the stimulus-response theory in explaining consumer behaviour. Cognitive theorists argue that the stimulus-response theory fails to capture the complexity of consumer behaviour due to its flawed understanding of personality and its impact on behaviour.

In the cognitive theory, personality is viewed as a system comprising two aspects: Directive and dynamic. The directive aspects guide the individual's processing of stimuli through stages such as exposure, perception, comprehension, agreement, retention, retrieval and decision-making. The dynamic aspects serve as motivators, directing the individual towards goal-oriented behaviours. Overall, the cognitive theory posits that personality is a mental structure that encompasses perceptual processes and motivational factors.

#### 4.4.8 *Self Concept*

Self-concept refers to the organized arrangement of our thoughts, preferences, beliefs, attitudes, and opinions, as well as our understanding of how we should behave in different roles. Self-concept is a tricky subject since it can be difficult to truly understand someone's psychology, character qualities and skills. People often choose goods, use services, and support businesses that reflect their personalities or self-images when it comes to their consumption patterns.



Individuals were once thought to have a single self-image that they frequently showed. These customers are drawn to products and services that complement and satiate their unique selves. However, it is more appropriate to acknowledge that consumers have multiple selves as the world is more complicated.

Self-concept is the collection of ideas, emotions, feelings, and attitudes that individuals hold about their identity and capabilities. It is important to understand some of the important aspects of self-concept, which involve various perceptions about ourselves, such as kindness, patience, selfishness and rudeness. It is an organized view that influences our behaviour and is resistant to change. Additionally, self-concept is not innate but is developed and shaped as we interact with others in social settings. We have the ability to shape and modify our self-concept, which may differ from how others perceive us. Finally, our self-concept is not static and can change based on life experiences and challenges. Different situations can alter our perspectives and behaviours.

### **The Symbolic Self-Completion Theory**

Consumption of products and services plays a role in defining the self, similar to how actors rely on props and stage settings to perform convincingly. When forming an identity, consumption helps fill in the gaps, as indicated by symbolic self-completion theory.

The Symbolic Self-Completion Theory proposes that consumption of products and services contributes to the formation of one's identity. Consumers associate certain products and activities with different roles, and some products become an extension of their self. This theory suggests that when shaping their identity, individuals use consumption to complete or enhance their self-concept, fulfilling certain psychological needs and reinforcing their desired identity. For example, clothing ads may highlight the confidence gained from wearing fashionable attire. Adolescents may use products like cars and cigarettes to reinforce their developing masculinity, relying on them as social support during periods of uncertainty. Consumers tend to align their values and attitudes with the products they purchase, reflecting self-image congruence. This means they pick products whose attributes align with some part of themselves. This includes personal possessions like jewellery and cars at the individual level, residences,



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and furnishings at the family level, identification with neighbourhoods or towns at the community level, and attachments to social groups like landmarks or sports teams at the group level. These things create a sense of belonging and become part of their extended self.

#### 4.4.9 *Personality Assessment*

As marketers, understanding and describing our target audience is essential. We observe and gather information about people's past experiences, actions, and conversations to anticipate their behaviour and create effective marketing strategies. However, these factors can introduce biases and reduce objectivity. Therefore, a more structured approach is needed for analyzing personalities, known as personality assessment. The aim of personality assessment is to comprehend and predict behaviour with minimal error and maximum accuracy. It involves studying how individuals typically behave in different situations.

Assessment is valuable for understanding, diagnosis, training, placement, counselling, and marketing purposes. Psychologists employ various techniques for personality assessment, including psychometric tests, self-report measures, projective techniques and behavioural analysis. Each technique offers insights into different aspects of personality, rooted in different theoretical orientations.

##### **Self-report Measure**

Allport proposed that the most effective way to assess a person is through self-report measures. These structured measures rely on verbal responses using rating scales, where individuals report their own feelings about specific items. The responses are taken at face value, scored quantitatively, and interpreted based on established norms. Several notable self-report measures exist and are briefly described below.

##### **The Minnesota Multiphasic Personality Inventory (MMPI)**

A popular test for determining personality is the MMPI (Minnesota Multiphasic Personality Inventory). It was initially created by Hathaway and McKinley in the 1940s as a diagnostic tool for psychiatry, and it has worked well to spot different types of psychopathology.



The relevance of the MMPI and its variants, like the MMPI-2 and JMPI, to marketing lies in understanding consumers' personality traits. These tests help marketers gain insights into consumers' psychopathology, emotional states and tendencies. By comprehending these aspects, marketers can tailor their strategies and offerings to better meet the needs and preferences of their target audience, creating more effective and appealing marketing campaigns.

### **Eysenck Personality Questionnaire (EPQ)**

The Eysenck personality test evaluates three aspects of personality: Psychoticism, emotional stability and instability, and introversion against extraversion. The psychoticism dimension, which is related to psychopathology and contains features like lack of empathy, a difficult interpersonal style, and disobedience of social norms, was later included by Eysenck as he initially concentrated on the first two dimensions, which together contain 32 personality traits.

By assessing these dimensions, marketers can gain insights into consumers' tendencies, empathy levels, interpersonal style, and adherence to social norms.

#### **4.4.10 Video on Measuring Personality**

<https://www.youtube.com/watch?v=sUrV6oZ3zsk>

#### **4.4.11 Creating Brand Aspiration**

Aspirational marketing is an influential concept for promoting products and services. It generates excitement and desire for a brand. By tapping into people's attraction to luxury, uniqueness, health, or scarcity, adopting aspirational marketing can significantly impact business. Iconic global brands in fashion like Prada, Gucci, Armani, Nike, Adidas, as well as Apple in electronics and Lamborghini, Ferrari, BMW and Mercedes in the automobile industry, have successfully utilized this strategy.

A brand's personality appeals to emotions and influences the actions of target customers in a certain market. Excitement, transparency, durability, competence, and sophistication can be the five main brand personalities. Customers typically like brands that complement their own personality



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traits, which increases the likelihood that they will make a purchase. Clearly defining a brand's personality is essential for brands to engage with their target audience. It is essential for effective marketing efforts, builds brand equity, and influences how the market perceives the company.

**IN-TEXT QUESTIONS**

- 16.** Which theory of motivation emphasizes the influence of unconscious psychological forces on behaviour?
- (a) Psychoanalytic theory
  - (b) Gestalt theory
  - (c) Cognitive theory
  - (d) Expectancy theory
- 17.** According to the Freudian motivation theory, which force in the human mind governs strong desires and is not influenced by morality or ethics?
- (a) Id
  - (b) Superego
  - (c) Ego
  - (d) Valence
- 18.** In the Freudian motivation theory, what is the role of the Superego?
- (a) It prompts individuals to fulfil their basic needs without moral considerations
  - (b) It drives individuals towards aggression, destruction and pleasure-seeking
  - (c) It compels individuals to conform to moral standards and prioritize morality over basic wants
  - (d) It balances the positive and negative consequences of meeting an unmet need
- 19.** According to the Gestalt psychologists, motivation is determined by:
- (a) Unconscious psychological forces
  - (b) Sensory characteristics of a product



- (c) All the forces present simultaneously in the mind  
(d) Cognitive processing and problem-solving
20. The Goal-Setting Theory emphasizes the importance of setting goals that are:
- (a) Vague and easy  
(b) Measurable and attainable  
(c) Unrealistic and time-bound  
(d) Valence and instrumentality
21. What is the Freudian motivation theory based on?
- (a) Conscious desires  
(b) Unconscious psychological forces  
(c) Social conventions  
(d) Societal expectations
22. What is the Id according to the Freudian motivation theory?
- (a) The conscience  
(b) The built-in mechanism that fuels strong desires  
(c) The sense of morality  
(d) The cognitive structure
23. What is the main purpose of the Gestalt theory of motivation?
- (a) To understand the simultaneous interaction of all the forces within a person's mind and psyche  
(b) To explain how beliefs, values, and attitudes shape motivation  
(c) To understand how cognitive structure absorbs information and assesses parts of a situation  
(d) To explain how setting specific and challenging goals can enhance task execution
24. According to Gestalt psychologists, what shapes a person's motivation?
- (a) Individual objectives only  
(b) Past experiences only



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- (c) The environment only
- (d) The simultaneous interaction of all the forces within a person's mind and psyche
- 25.** What is the cognitive structure according to cognitive theorists?
- (a) The simultaneous interaction of all the forces within a person's mind and psyche
- (b) A person's use of their cognitive structure to absorb information and assess parts of a situation
- (c) A person's beliefs, values, images, experiences, attitudes and perceptions
- (d) A process of problem-solving
- 26.** What is the Expectancy Theory?
- (a) A cognitive theory that explains how a person's motivation results from their use of their cognitive structure to absorb information and assess parts of a situation
- (b) A cognitive theory that explains why and how individuals choose one behavioural option over another in pursuit of their goals
- (c) A theory that contends that motivation is the result of all the mental factors acting simultaneously within a person
- (d) A theory that places a strong emphasis on the value of setting goals when trying to motivate people
- 27.** According to the Expectancy Theory, what are the three variables that play a crucial role in understanding how individuals evaluate and make decisions based on expected outcomes and their perceived value?
- (a) Valence, morality and cognition
- (b) Expectancy, morality and instrumentality
- (c) Valence, expectancy and instrumentality
- (d) Cognition, morality and instrumentality



**28.** What is the Goal-Setting Theory?

- (a) A cognitive theory that explains how a person's motivation results from their use of their cognitive structure to absorb information and assess parts of a situation
- (b) A theory that contends that motivation is the result of all the mental factors acting simultaneously within a person
- (c) A cognitive theory that explains why and how individuals choose one behavioural option over another in pursuit of their goals
- (d) A theory that emphasizes the value of setting specific and challenging goals when trying to motivate people

**29.** The SMART principle in goal-setting stands for:

- (a) Specific, Measurable, Attainable, Realistic, Time-Bound
- (b) Sensory, Moral, Automatic, Rational, Time-Bound
- (c) Simultaneous, Motivational, Attainable, Reliable, Task-oriented
- (d) Valence, Expectancy, Instrumentality, Time-Bound

**30.** Which theory suggests that motivation is influenced by the evaluation of advantages and disadvantages?

- (a) Psychoanalytic theory
- (b) Gestalt theory
- (c) Cognitive theory
- (d) Expectancy

**31.** Which of the following refers to the psychological traits that influence how individuals react to their surroundings?

- (a) Behaviourism
- (b) Personality
- (c) Socialization
- (d) Self-concept



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32. According to the trait theory, personality is shaped by:
- (a) Genetics and early childhood experiences
  - (b) Social interaction and relationships
  - (c) Unconscious needs and drives
  - (d) Conscious and unconscious elements
33. The psychoanalytic theory of personality was developed by:
- (a) Sigmund Freud
  - (b) Karen Horney
  - (c) Gestalt psychologists
  - (d) Neo-Freudians
34. According to the Neo-Freudian theory, consumers can be classified into how many personality types?
- (a) One
  - (b) Two
  - (c) Three
  - (d) Four
35. The Gestalt theory of personality emphasizes:
- (a) Separate characteristics of personality
  - (b) Genetics and early childhood experiences
  - (c) The totality of personal traits and life experiences
  - (d) Stimulus and response patterns
36. The stimulus-response theory suggests that an individual's personality is shaped by:
- (a) Genetic factors
  - (b) Early childhood experiences
  - (c) Environmental stimuli and learned responses
  - (d) Cognitive processes



37. The cognitive theory of personality views personality as a system that comprises two aspects, which are:
- (a) Traits and characteristics
  - (b) Directive and dynamic aspects
  - (c) Unconscious and conscious elements
  - (d) Id, ego and superego
38. Self-concept refers to:
- (a) The psychological traits that influence consumer behaviour
  - (b) The process of socialization and its impact on personality formation
  - (c) The organized arrangement of thoughts, preferences, and beliefs about one's identity
  - (d) The cumulative effect of interconnected personal characteristics
39. Marketers believe that personality has an impact on consumer purchasing behaviour because:
- (a) Research findings have conclusively proven the relationship between personality and behaviour
  - (b) Individuals seek products that align with their personality traits
  - (c) Personality traits are innate and cannot be changed
  - (d) Self-concept is the main driver of consumer preferences
40. Which theory of personality focuses on inborn traits known as temperaments?
- (a) Trait Theory
  - (b) Psychoanalytic Theory
  - (c) Neo-Freudian Theory
  - (d) Gestalt Theory
41. The Myers-Briggs Type Inventory (MBTI) is based on the theory of:
- (a) Trait Theory
  - (b) Psychoanalytic Theory



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- (c) Neo-Freudian Theory
  - (d) Cognitive Theory
42. According to the stimulus-response theory, an individual's personality is shaped by:
- (a) Early childhood experiences
  - (b) Social interaction and relationships
  - (c) Genetic factors
  - (d) Learned responses to environmental stimuli
43. The Minnesota Multiphasic Personality Inventory (MMPI) is a self-report measure used for:
- (a) Assessing personality traits
  - (b) Evaluating consumer behaviour
  - (c) Creating brand aspirations
  - (d) Predicting behaviour with minimal error
44. The Myers-Briggs Type Inventory (MBTI) is based on the theory developed by:
- (a) Sigmund Freud
  - (b) Karen Horney
  - (c) Carl Jung
  - (d) Alfred Adler
45. Which type of personality assessment relies on individuals reporting their own feelings about specific items?
- (a) Psychometric tests
  - (b) Self-report measures
  - (c) Projective techniques
  - (d) Behavioural analysis

#### 4.5 Summary

In this lesson, we learnt about the various levels of consumer needs, and understanding Maslow's hierarchy of needs can serve as a valuable



framework for understanding general behaviour. The lesson also discusses different theories of motivation, including the psychoanalytic theory, the Gestalt theory, and the cognitive theory. The psychoanalytic theory explains human behaviour, including purchasing patterns, by unconscious psychological forces, such as hidden wants and motives. The Gestalt theory asserts that motivation is the simultaneous interaction of all the forces within a person's mind and psyche. Meanwhile, cognitive theory views motivation as a crucial component of one's mental structure and believes that human behaviour is a process of problem-solving. The lesson also discusses the Expectancy Theory and the Goal-Setting Theory, which are both cognitive theories of motivation.

The second part of the lesson concept of Personality and different theories are explained. While research findings on the influence of personality differences on consumer purchasing behaviour have been inconclusive, marketers still maintain that personality has an impact on the products consumers choose. This is because individuals often seek products that align with their personality traits. Marketers should consider both conscious and unconscious motivations when developing products and advertising campaigns. Personality traits can serve as indicators of consumer preferences across various product categories.

#### 4.6 Answers to In-Text Questions

1. (b) The desire or drive to take action
2. (c) The need for possession
3. (c) Love and belonging
4. (c) Desires, needs, and drives that influence an individual's behaviour and decisions
5. (d) All of the above
6. (a) By providing goods or services that meet the needs and desires of customers, boosting sales and elevating client satisfaction
7. (a) The driving force behind consumer actions and decisions
8. (a) Physiological needs
9. (d) All of the above



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10. (b) It helps them meet the needs and desires of customers, increasing sales and customer satisfaction
11. (c) The aspiration to become everything one is capable of being
12. (c) It allows for a comprehensive understanding of general consumer behaviour
13. (c) Power needs
14. (c) Conflicting motives can increase tension and stress
15. (d) Motivation
16. (a) Psychoanalytic theory
17. (a) Id
18. (c) It compels individuals to conform to moral standards and prioritize morality over basic wants
19. (c) All the forces present simultaneously in the mind
20. (d) Valence and instrumentality
21. (b) Unconscious psychological forces
22. (b) The built-in mechanism that fuels strong desires
23. (a) To understand the simultaneous interaction of all the forces within a person's mind and psyche
24. (d) The simultaneous interaction of all the forces within a person's mind and psyche
25. (c) A person's beliefs, values, images, experiences, attitudes and perceptions
26. (b) A cognitive theory that explains why and how individuals choose one behavioural option over another in pursuit of their goals
27. (c) Valence, expectancy and instrumentality
28. (d) A theory that emphasizes the value of setting specific and challenging goals when trying to motivate people
29. (a) Specific, Measurable, Attainable, Realistic, Time-Bound
30. (d) Expectancy
31. (b) Personality
32. (a) Genetics and early childhood experiences



33. (a) Sigmund Freud
34. (c) Three
35. (c) The totality of personal traits and life experiences
36. (c) Environmental stimuli and learned responses
37. (b) Directive and dynamic aspects
38. (c) The organized arrangement of thoughts, preferences, and beliefs about one's identity
39. (b) Individuals seek products that align with their personality traits
40. (c) Neo-Freudian Theory
41. (c) Neo-Freudian Theory
42. (d) Learned responses to environmental stimuli
43. (a) Assessing personality traits
44. (c) Carl Jung
45. (b) Self-report measures

#### 4.7 Self-Assessment Questions

1. How do safety needs influence an individual's behaviour and decisions?
2. What is the importance of understanding customer motivation for marketers?
3. How does an individual's personality influence their consumer purchasing behaviour?
4. How can marketers use knowledge of personality traits to customize their marketing techniques?
5. What is the cognitive theory of motivation? Describe the role of cognitive structure in understanding human behaviour and motivation.
6. Compare and contrast the Expectancy Theory and the Goal-Setting Theory within the realm of cognitive theories of motivation.
7. How does an individual's personality influence their consumer purchasing behaviour?



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8. How can marketers use knowledge of personality traits to customize their marketing techniques?
9. How does the Neo-Freudian theory of personality help marketers segment markets and position their products?
10. According to the Gestalt theory of personality, how do personal traits and life experiences interact to shape an individual's behaviour?
11. How does the stimulus-response theory explain the formation and change of personality patterns in response to environmental stimuli?
12. What is the cognitive theory of personality and how does it explain consumer behaviour?
13. How does an individual's self-concept influence their consumption patterns?

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# Demographic & Psychographic Segmentation

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## STRUCTURE

- 5.1 *Learning Objectives*
- 5.2 *Introduction*
- 5.3 *Demographic & Psychographic Segmentation*
- 5.4 *Reference Group Influence*
- 5.5 *Consumer Culture*
- 5.6 *Family Decision Making*
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## 5.1 Learning Objectives

- ◆ To understand the Demographic & Psychographic Segmentation.
- ◆ To familiarize with Reference Group Influence.
- ◆ To know about consumer culture and social class.
- ◆ To understand family and organizational decision making.



## 5.2 Introduction

Consumer behaviour is a multidimensional area of study that explores the decision-making processes of individuals and organizations. It involves various facets like acquiring, consuming, and disposing of goods, services, and ideas. It's always crucial to understand consumer behaviour to better frame strategies to best meet the demands of consumers. Stemming from the field of marketing, psychology, economic and sociology, consumer behaviour is affected by various factors that also form basis of segmentation such as psychographic and demographic segmentations, social class, reference groups, culture etc.

It is extremely important to understand how consumers behave so that appropriate marketing strategies can be adopted for maximum sales, customer experience and satisfaction. This chapter will enrich your knowledge on different aspects of consumer behaviour like segmentation, consumer culture, family decision making and organizational consumer behaviour.

## 5.3 Demographic & Psychographic Segmentation

Segmentation forms a crucial aspect of marketing. Segmentation essentially involves dividing the market into homogeneous groups. This is done on the basis on common characteristics which may have common needs. Some common bases of segmentation are demographic, psychographic, behavioural. These are discussed as follows:

### 5.3.1 *Demographic & Psychographic Segmentation*

Demography refers to the study of people and divides the population based on its certain characteristics. Demographic segmentation involves dividing the market into different segments based on factors like age, life stage, gender, income, occupation, education, generation etc. The use of demographic factors is highly popular for segmenting customer groups. This is primarily because consumer needs, preferences, and consumption patterns often closely relate to demographic variables. Also, demographic variables are relatively easier to measure compared to other types of variables.



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Some common forms of demographic segmentation are:

**1. Age based Segmentation:** When the company divides its market and product offering as per age of the customers it is called age segmentation.

For example, Adidas has footwear, clothes and other merchandise for babies, youngsters and adults

**2. Gender based Segmentation:** When the company divides its market and product offering as per the gender it is called gender segmentation.

For example, Gillette has razors for men such as Mach 3 and Venus for women.

**3. Income based Segmentation:** When the company divides its market and product offering as per the income level it is called income based segmentation.

For example, American Express has different cards as per different spending and income levels such as Platinum Card, Centurion Card and Centurion Card Black.

### 5.3.2 Lifestyle & Psychographics

Psychographic segmentation involves dividing the market and categorizing buyers into various segments based on their lifestyle or personality traits. It recognizes that individuals within the same demographic group can possess different psychographic characteristics. Psychographics acknowledges that people's purchasing decisions are influenced by their unique lifestyles. Consequently, marketers frequently employ consumer lifestyle segmentation to tailor their marketing strategies, utilizing appeals that resonate with specific lifestyle segments. Some common basis for psychographic segmentation are:

**1. Lifestyle:** Lifestyle refers to how a person lives his life. Very often purchase choices are indicative of the consumer's lifestyle. Hence lifestyle is often taken as a basis of segmentation. Some common categories are:

- ◆ **Young Urban Professionals:** Who like quick and automated products like automatic washing machines, mixer grinders etc.



- ◆ **Health Conscious:** Who are strict followers of healthy diet and make conscious food choice such as low fat milk, sugar-free products etc. Marketers are now diversifying into this segment such as low calorie biscuits and snacks etc.
  - ◆ **Fitness Enthusiasts:** Who are very inclined towards fitness and physical wellbeing and often prefer those products and service that do not compromise with a healthy and fit routine. For example gym equipments and supplies, protein supplements, active wear and fitness gadgets etc.
  - ◆ **Animal Lovers:** Those who love animals and usually follow animal friendly routines and use vegan products. Vegan diet is also lifestyle choice and various FMCG player are now entering it such as Vegan Ice cream parlours.
- 2. Personality:** People have different personalities which are distinct characteristics which are called personality traits such as introvert, extroverts, adventurous, risk averse etc. These are used often to divide and target market and strategize for better offerings.

Some common forms include:

- ◆ **Social Butterflies:** Individuals who are extroverted, sociable, and derive enjoyment from engaging in social interactions. They actively participate in social events, parties, and networking engagements. Marketers can focus on targeting this segment by offering products or services that foster social gatherings, entertainment, or networking prospects.
- ◆ **Adventurous-Explorers:** Individuals who possess a sense of adventure, seek thrills, and are open to new experiences. They are inclined to participate in activities such as skydiving, hiking, or exploring exotic locations. Marketers focusing on this segment may advertise adventure travel packages, outdoor equipment, or gear for extreme sports.
- ◆ **Creative Innovators:** Individuals who are creative, imaginative and interested in art, design or innovating experiences that allow self expression. For example, company dividing products with unique and artistic style.



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- ◆ **Family Lovers:** Those individuals who love spending time with family and engage in those products and services that are designed not for individual but family as a whole. For example, Family holiday packages by travel agents.

**Case: McDonald's India**

McDonald's is a leading fast-food brand across the world. In India through its various demographic and psychographic segmentation strategies it has been able to survive for close to three decades.

In India effectively uses the following demographic segmentation strategies to target and serve specific customer segments based on demographic factors:

- ◆ **Age Segmentation:** McDonald's offers Happy Meals and playgrounds to appeal to children, positioning themselves as a family-friendly restaurant. They also have menu options like the Maharaja Mac to cater to the tastes of older consumers, and Happy Meal for younger customers, thus targeting different age groups with tailored offerings.
- ◆ **Income Segmentation:** McDonald's provides diverse pricing options, including value meals and the McSaver Menu for price-sensitive customers, while also offering premium products and combo meals for those with higher income. They have premium range of burgers like McSpicy Paneer and McChicken and also cheaper affordable options like the very famous McAloo Tikki. Along with income segmentation, they also provide customisation options which allows accessibility to a wide range of customers.
- ◆ **Regional Preferences:** McDonald's understands the diverse regional tastes in India and adapts its menu accordingly. They offer localized items like Dosa Masala Burger and McEgg for catering to specific regional preferences, connecting with customers on a localized and culturally relevant level. It also has separate menus for North, South, East and West India.
- ◆ **Urban vs. Rural Segmentation:** McDonald's primarily focuses on urban areas in India, strategically positioning their restaurants and marketing efforts to target the urban consumer base. By capitalizing on higher population density and urban consumer



spending patterns, McDonald's maximizes its appeal and market share in these regions.

Through demographic segmentation strategies, McDonald's customizes its menu, pricing, marketing campaigns, and restaurant locations to effectively reach and serve specific customer segments in India. By understanding the unique characteristics and preferences of their target audience, McDonald's strengthens its market presence in the country. But they also integrate certain aspects of psychographic and lifestyle segmentation in their marketing efforts:

- ◆ **Youth-Focused Marketing:** McDonald's targets the fast food loving youth, including college students and young professionals, by designing advertisements, promotions, and social media campaigns that align with their youthful lifestyles. They emphasize themes of friendship, fun, and enjoyment to resonate with this segment.
- ◆ **Convenience and Fast-paced Lifestyles:** McDonald's caters to individuals with busy, fast-paced lives who seek convenient dining options. They highlight their quick service, drive-thru facilities, and home delivery services to attract customers who value time-saving solutions and on-the-go meals and also have a specialised breakfast menu.
- ◆ **Family-Oriented Approach:** McDonald's positions itself as a family-friendly restaurant in India, appealing to families seeking a casual dining experience. They offer Happy Meals, organize birthday parties, and provide play areas for children, emphasizing shared moments of joy and togetherness.
- ◆ **Aspirational Branding:** McDonald's incorporates aspirational elements into their marketing to appeal to consumers seeking enjoyable and indulgent experiences. Through their advertisements, they showcase people having fun, celebrating special occasions, and relishing their food, creating an emotional connection with their target audience.
- ◆ **Localization Efforts:** While maintaining their global brand image, McDonald's in India adapts their menu and marketing strategies to suit local cultural preferences. They introduce localized menu



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items and run region-specific promotions to cater to specific tastes, establishing a more personal and relevant connection with consumers.

McDonald's in India, with their integration of elements of demographic and psychographic and lifestyle segmentation is able to align preferences and behaviours of their target audience. This allows them to create targeted and impactful marketing campaigns in the Indian market which has made it one of the most loved fast food brands in the past few decades.

***VALS Framework***

Value, Attitude and Lifestyle commonly referred as the VALS framework is an important market segmentation tool developed during the 1970s. It groups consumers based on their psychological characteristics like values, attitude and lifestyle preferences for creating market segments. It essentially involves eight segments discussed as follows:

- 1. Innovators:** These consumers are successful, sophisticated, and possess high self-esteem. They are early adopters of new products and technologies, and hence often considered trendsetters.
- 2. Thinkers:** Thinkers are well-educated, rational individuals who make decisions carefully. They value knowledge and conduct extensive research before making a purchase.
- 3. Achievers:** Ambitious and career-oriented, achievers seek success, status and also the approval of their peers. They choose products that align with their social and professional standing making them socially conscious.
- 4. Experiencers:** These are young, enthusiastic, and impulsive consumers. They crave excitement and adventure. They are often influenced by the latest trends and fashions.
- 5. Believers:** Believers are consumers that are conservative and traditional, driven by strong values. They are loyal to family, religion, and community, and prefer established brands.
- 6. Strivers:** Strivers aim to improve their social status but lack the financial means required for it. They are status-conscious and tend to imitate higher-status individuals in their purchases.



7. **Makers:** These consumers are practical and prefer things hands-on. Makers thus value self-sufficiency and independence. They enjoy DIY projects and prefer products that enable creativity.
8. **Survivors:** These consumers are cautious and conservative and thus focus on meeting basic needs. Typically older with lower incomes, they are averse to change and the uncertain economic conditions.

## 5.4 Reference Group Influence

### 5.4.1 Introduction

There are various social factors that influence the consumer behaviour such as reference groups. Reference groups are a group of people that have a direct or indirect influence or serve as a reference point in formulation of attitude or behaviour of a person.

The influence of reference groups on consumer behaviour is the effect that the social groups or individuals someone identifies with or admires has on their buying choices and consumption habits. These reference groups can consist of family, friends, co-workers, online communities, celebrities, and influential figures.

### 5.4.2 Categories and Types of Influence

There are various categories of reference groups that have different types of influence on consumer behaviour. These are discussed as follows:

- ◆ **Normative Influence:** These are those reference groups that establish social norms, values, and standards that further shape consumer behaviour. Individuals may conform to these groups in expectation of gaining acceptance or avoid social rejection. For example, Teenager may insist on branded clothes to be a part of a specific friend group.
- ◆ **Informational Influence:** These are those reference groups that serve as sources of information that in turn influence consumers' attitudes and beliefs about products or services. Individuals often seek advice or opinions from their reference groups before making



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purchase decisions. For example, asking a tech savvy colleague for their advice and suggestion on a new laptop purchase.

- ◆ **Aspirational Influence:** These are those reference groups that provide as a source of aspiration to the consumer which in turn leads to them adopting specific behaviours or purchasing choices. It is most commonly seen when consumers aspire individuals of higher social status or lifestyle belonging to a reference group. For example, buying luxury car to align with rich neighbours.
- ◆ **Dissociative Influence:** Contrary to aspirational groups, there are dissociative groups as well. These discourage consumers from adopting certain products or brands. Individuals may avoid items associated with groups they do not want to be associated with or that contradict their values. For example, avoiding dairy products because veganism.
- ◆ **Opinion Leadership:** Certain individuals exert greater influence because of their expertise, knowledge, or charismatic personality. These opinion leaders tend to influence and shape behaviour of consumers by providing recommendations, influencing perceptions, and setting trends. These are commonly seen in their areas of expertise like fashion, technology, fitness etc. For example social media influencers, or celebrity stylists etc.

Understanding the impact of reference groups on consumer behaviour allows marketers to develop targeted strategies that leverage these influences. By identifying relevant reference groups for their target audience and aligning their brand messaging, values, and products with those groups, marketers can effectively harness the power of social influence to attract and retain customers.

**IN-TEXT QUESTIONS**

1. \_\_\_\_\_ are specific characteristics of people like introvert, adventurous etc.
  - (a) Social Class
  - (b) Income level
  - (c) Personality
  - (d) All of the above



2. Modern Society comprise of \_\_\_\_\_
  - (a) Agricultural Society
  - (b) Industrial Society
  - (c) Information Society
  - (d) All of these
3. \_\_\_\_\_ discourages consumer to adopt certain products or services:
  - (a) Inspirational groups
  - (b) Dissociative groups
  - (c) Opinion Leaders
4. VALS framework helps in \_\_\_\_\_ based segmentation
  - (a) Demographic
  - (b) Psychographic

## 5.5 Consumer Culture

### 5.5.1 Values and Orientation

Consumer culture refers to a collective set of beliefs, values, attitudes, and behaviours that suggests consumption as a central aspect of social life shared by members. It is a cultural framework that emphasizes the importance of acquiring and using goods and services. Within consumer culture, individuals and society attach great importance to the act of buying and consuming goods or services, shaping their self-identity, social relationships, and interactions with products and brands. In simple words, consumer culture refers to the shared societal beliefs that determine what is considered socially acceptable and satisfying consumption behaviour. These beliefs, shaped by culture, influence the values and perspectives individuals adopt in their daily lives.

There are various factors that influence consumer culture like media, advertising, social norms and economic systems. It promotes the notion that an individual's happiness, status, and identity are closely linked to their consumption habits. Consumer culture notes that there are other



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aspects of consumption which are beyond acquisition and using goods or services, like self-expression, personal preferences and social belonging. It also notes that for consumers there is often a desire for new products, trends, and the pursuit of material possessions. It encourages individualism and self-expression through consumer choices. However, it can also lead to excessive materialism, waste and environmental concerns.

Consumer culture orientation goes beyond the mere consumption of commercial products as it holds meaning and reflection of certain values and social hierarchies which can even be spread or reproduced. It can be said that consumer culture plays a central role in the interplay between societal structure and individual agency in today's world. It demonstrates how capitalism has the ability to maintain the boundaries within which individuals in a consumer society lead their daily lives. While consumer culture offers us a means to express one's won identities, it contrastingly also points the limits the economic system sets with respect to freedom and choices.

Marketing and advertising play vital roles in shaping consumer behaviour within this culture. Companies and brands actively participate in consumer culture by creating and promoting products, establishing brand identities, and capitalizing on consumer desires and aspirations.

Understanding and study of consumer culture is extremely important for marketers, sociologists, and economists as it helps revealing consumer behaviours, trends, and preferences. It offers insights into how individuals navigate and assign meaning in a society where consumption holds significant value.

### 5.5.2 Sub-Culture

Stemming from culture, which is a broad concept, comes the sub-culture dimension. While culture includes various components like history, values, morals etc., sub-culture includes smaller groups within culture that have distinct values, beliefs, attitudes etc. sub-cultures offer a sharing pattern among its members on the basis of their behaviour, this may be different from the culture at large.

Hence, sub-culture acts a great source of potential market and hence marketers are always on a lookout for identifying them and segmenting



basis that. Consumer sub-cultures are distinct groups within a larger consumer culture that share common consumption patterns, values and interests. They emerge based on factors like age, ethnicity, lifestyle, and beliefs, forming unique segments of the population with specific preferences and behaviours in their consumption practices like there are fashion sub-cultures like goth, punk, and hipster have individuals who adopt specific styles and aesthetics to express their identity and differentiate themselves from mainstream trends. For music lovers there are sub-cultures like metalheads, ravers, and indie enthusiasts, who unite around particular genres or scenes, sharing a common taste in music and engaging in related events and festivals.

There can be various types of sub-cultures:

- ◆ **Ethnic Sub-cultures:** These are based on the values and beliefs as per ethnicity. For example, NRIs abroad may not have the same eating habits as domestic locals of a nation.
- ◆ **Religious Sub-cultures:** These are based on religious beliefs of individuals or groups. For example, in Jainism does not promote the consumption of onion and garlic.
- ◆ **Regional Sub-cultures:** These are based on the regional locations of the consumers. For example, urban localities have more fast food culture in India than rural areas.
- ◆ **Singles Sub-cultures:** These are based on the singles and unmarried people clan. For example, dating websites, convenience products are more demanded by singles.

### 5.5.3 Social Class

Social class in terms of consumer behaviour refers to the categorization of society into distinct groups based on socio-economic factors like income, occupation, education and social standing. It forms a hierarchical structure that influences individuals' purchasing decisions, consumption patterns and brand preferences.

The concept of social class impacts consumer behaviour in various ways. It determines the financial means available to individuals, shaping their ability to afford different products and services. Social class also influences



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the types of products and brands that individuals choose, with higher classes often opting for luxury and prestigious items, while lower classes prioritize affordability and practicality. It also plays a role in determining brand preferences and loyalty, as well as influencing where individuals shop and their preferred retail environments. It also contributes to the symbolic meanings attached to products, as consumers from different social classes use consumption as a means to express their social identity and aspirations.

Common social class categorization includes upper class, middle class, working class and lower class. While they are subjective with regard to exact income, it essentially indicates the social class difference between rich or affluent and moderate or poor individuals. They can further be divided as upper middle class, lower middle class etc.

**Case: Rolls-Royce Luxury Car**

Rolls-Royce is a well-known British luxury car manufacturing brand. They are famous for their affluent clientele across the world. They have capitalised on social class for building their brand across the globe. Social class has been one of the most prominent influences of its consumers purchasing these expensive cars. Some ways in which social class affects consumer behaviour for Rolls Royce is discussed as follows:

- ◆ **Elite Brand Positioning:** Rolls-Royce positions itself as a symbol of luxury, exclusivity, and prestige, targeting consumers from the upper social classes. By emphasizing its craftsmanship, superior quality, and heritage, the brand appeals to individuals who seek to showcase their social status and wealth through their choice of vehicle.
- ◆ **Scarcity and Exclusivity:** Rolls-Royce maintains limited production volumes, creating a sense of rarity and exclusivity around its cars. This deliberate restriction enhances the desirability and aspirational value associated with owning a Rolls-Royce, appealing to a select few from the highest social strata.
- ◆ **Customization and Personalization:** Rolls-Royce offers extensive customization options, allowing customers to tailor their vehicles according to their unique preferences. This bespoke approach caters to the individualistic desires of affluent individuals who value



personalization and the opportunity to express their distinct taste and style.

- ◆ **Heritage and Status Symbol:** Rolls-Royce leverages its illustrious heritage and reputation as a status symbol. Its association with royalty, celebrities, and influential figures further solidifies its social class-based consumer behaviour strategy. Iconic emblems, exquisite interiors, and the use of luxurious materials contribute to the perception of Rolls-Royce as a representation of wealth, power and social standing.
- ◆ **Superior Service and Ownership Experience:** Rolls-Royce provides exceptional customer service, concierge programs, and exclusive events tailored to its discerning clientele. This focus on delivering an exceptional ownership experience reinforces the connection between Rolls-Royce and social class, underscoring the idea that owning a Rolls-Royce encompasses not just the product but also an elevated lifestyle and status.

This allows Rolls-Royce to capitalize on social class to target and attract consumers from the upper strata of society, cementing its position as the epitome of luxury automotive brands.

## 5.6 Family Decision Making

Family is a distinct social unit characterized by the psychological and emotional connections among its members and the presence of established traditions within each community.

### 5.6.1 Decision Making Unit

Within a family, there are various decisions that are to be made. Not everyone participates in this decision making process. Within a family or a household, the group that collectively and actively participate in decision making is called a decision making unit. This unit treats family as a whole and makes contributions for a final choice to be made. This decision making can vary family to family and also has an interplay of cultural factors and household type. These units usually have parents, spouse and children that have a stake in deciding what needs to be purchased and



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how. Though it is common to have a single individual or a dominant member of the family as a sole decision making unit, but other families can even have census based decisions and include more members.

The family decision-making unit holds considerable importance in consumer behaviour as it significantly influences the choices, preferences, and purchasing patterns within the household. Various factors come into play during collective decision-making, including individual preferences, values, needs, and socioeconomic considerations.

### 5.6.2 Roles and Influence

In family decision making, there are different possible roles that can be played who impart different influences:

- 1. Initiator:** This is the family member who initiates the purchase decision by recognizing a need or a problem that a potential purchase will solve. They begin the decision making process. For example, the child of the house suggests a new smart TV for the house.
- 2. Influencer:** This is the family member who influences the decision based on his knowledge and experience. For example, the elder brother who is tech savvy and read a lot about electric gadgets.
- 3. Gatekeeper:** This the member of the family who controls and regulates the information flow and resources. They influence decisions by making sure that the right decision is taken. For example, mother ensures that no unnecessary spend is being done yet the right product is taken.
- 4. Decision Maker:** This is the member who will actually make the decision and makes the choice of whether to buy the product or not. For example, father decides if it's actually important to buy a TV or it can be deferred.
- 5. Buyer/Purchaser:** This is the family member who actually makes the final purchase by keeping in mind the terms and conditions, mode of payment etc. They influence decision making by deciding the means and mode of purchase, getting the best deals etc. For example, the parents may go and make a final purchase from a retail store.



- 6. Users:** These are family members who will be actually using a product irrespective of if they contributed to the decision making or not. For example, the grandmother may also be using TV along with parents and children.

### 5.6.3 Types of Family Decisions

There are various types of decisions that can account as family decisions with respect to consumer behaviour. When it comes to purchasing decisions, rationality doesn't always serve as the sole determining factor for families. Some common types of decisions made by family are:

- ◆ **Consumer Goods Decisions:** These are decisions that involve purchasing of those consumer goods that are used by family as a whole like furniture, TV, dishwasher, mixer grinders etc.
- ◆ **Financial Decisions:** These are those decisions of financial nature that are pertaining to family and its members like financial investments (mutual funds, stock etc.) or insurance.
- ◆ **Education Decisions:** These are decisions pertaining to the educational choices and future of the children like schooling, professional education etc.
- ◆ **Health Decisions:** These are decisions relating to health and wellness of family and its members like vaccinations, checkups, dietary preferences etc.
- ◆ **Social and Cultural Decisions:** These are decisions relating to social and cultural occasions, community engagements, customs and traditions, festivals etc. For example, Diwali is a major festival in India and is celebrated with full vibrance and new purchase are considered auspicious.
- ◆ **Housing Decisions:** These are decision relating to housing like buying or renting a place to live, or renovating or reconstruction. For example, which locality to choose for family living.
- ◆ **Travel Decision:** Travelling is often a family activity as individuals love spending quality time with family for rejuvenation. These are also family decisions as it involve everyone's convenience, choice



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and enjoyment. For example, choosing a destination which has some activities for all members.

There are also several other factors that determine the family decision making such as:

- ◆ **Roles in the Family:** There are various that a family member plays that further impacts the decision making such as:
  - ◆ **Husband & Wife:** Husband may be more involved in decisions relating to purchase of house, car etc., while wife may be more involved in purchase of home appliances like washing machine, TV etc.
  - ◆ **Parent & Child:** Parents typically hold more sway in decisions relating to significant household purchases, while children may have more influence in choices concerning entertainment or leisure activities.
- ◆ **Gender Roles:** Various consumer decisions are based on gender roles of males and females traditionally. For example, traditionally women are more involved in household day to day decisions while men are more involved in finance related decisions. Though these are evolving and moving towards inclusive decision making across genders.
- ◆ **Family Life Cycle:** The stage of the family life cycle can profoundly impact consumer and family decision-making. For example, young families with children may focus on purchases related to child education, family-oriented activities, while single or retirees may prioritize travel and leisure-related purchases.

## 5.7 Organizational Consumer Behaviour

### 5.7.1 Differences between Consumer and Organizational Behaviour

Organization behaviour and organizational consumer behaviour are two very distinct fields of study of behaviour. While consumer behaviour is



consumer focused, organizational behaviour is organization focused. The following are the major points of difference between the two:

**1. Purpose of Buying:** Consumer behaviour focuses on individual consumption of goods or services which are purchased with the intent of satisfying individual need profit or resale has no role to play. On the contrary organisational consumer behaviour is profit or sale oriented and focuses on organisational needs *i.e.*, the needs of the business.

**2. Quantity:** As individual consumers, the purchase quantity of the products is small since there is regular use and consumers often experiment with different products. Hence consumer behaviour involves small quantity purchases.

On the other hand, since the products are used for commercial purposes of either resale or a raw materials, their orders are placed in bulk. Sometimes they are even stored as inventories by organizations. Hence organizational consumer behaviour involves large quantity purchases.

**3. Decision Making:** Consumers often make their own decisions about a purchase, and sometimes take personal advice from friends and family without any cumbersome process. So, consumer behaviour decisions are hassle free and quicker.

But organisational decisions require a long formal procedure, which should meet stringent criteria before finalizing. There are separate departments that are actively involved in buying like purchase department, finance department etc. So, organizational consumer behaviour decisions are cumbersome and more time consuming.

**4. Types of Goods, Knowledge and Availability:** Consumer behavioural involves buying regular goods for individual consumption that are readily available and consumers have adequate knowledge about them.

But organizational consumer behaviour includes different goods that have commercial viability which can be used for reselling or used as raw materials. Since there is not much variety and require specialised and fewer brands that are well evaluated before an order for purchase is placed.



### 5.7.2 Models and Strategies

There are two famous models that discuss the buying behaviour in an organization:

#### *The Sheth Model*

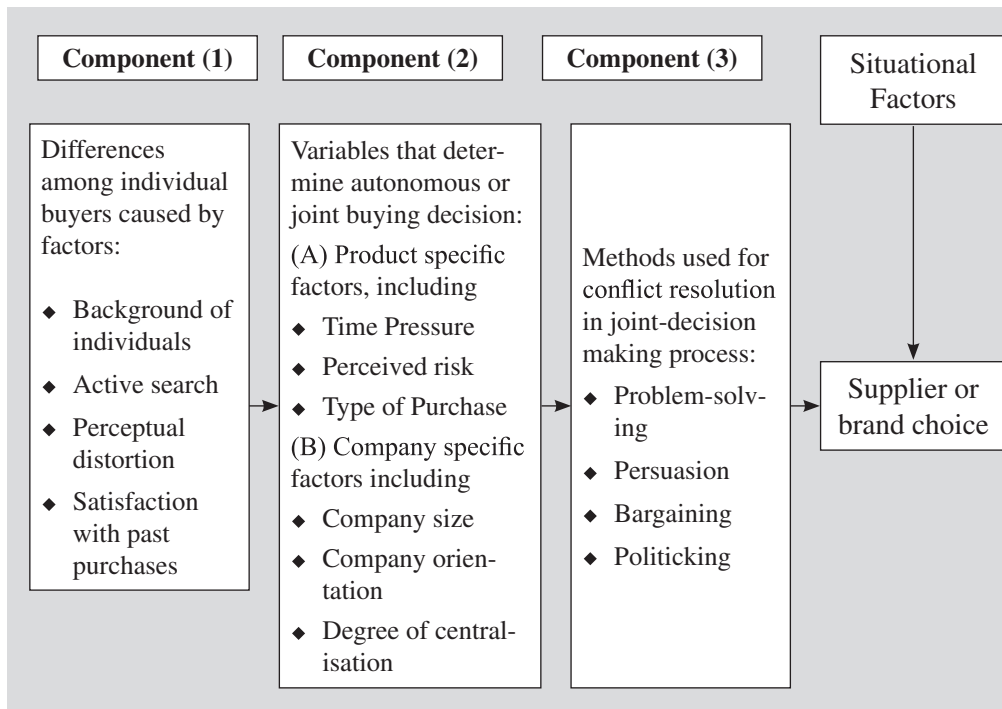
Developed by Professor Jagdish N. Sheth in 1973, Sheth model of Organizational Buying, focuses on the decision-making process of multiple individuals and the psychological factors that influence industrial buying behaviour. The model consists of three components and situational factors that impact the choice of a supplier or brand in the organizational buying process, each of them discussed as follows:

Component 1 examines individual buyers' expectations and is influenced by factors such as the individuals' background, information sources, active search, perceptual distortion, and satisfaction with past purchases. The background of individuals is further shaped by their education, role in the organization, and lifestyle. Perceptual distortion indicates how individuals modify information to align with their existing beliefs and experiences. Although techniques like factor analysis and perceptual mapping can be used, measuring perceptual distortion can be challenging.

Component 2 explores buying decisions are made autonomously or jointly. This decision is affected by product specific factor like perceived risk, pressure of time and type of purchase. And secondly by company specific factors like size of company, centralisation etc. According to the Sheth model, larger organizations and higher levels of decentralization increase the likelihood of joint decision-making.

Component 3 discusses conflict resolution in the joint decision-making process. When there is agreement on organizational objectives, problem-solving and persuasion methods are employed. In cases where agreement is lacking, bargaining occurs. Conflict related to decision-making styles is resolved through politicking. Situational factors, such as economic conditions, labour disputes, and mergers and acquisitions, can vary and influence the buying process, although the model does not provide an explanation of their specific impact.

Overall, the Sheth model of Organizational Buying stresses on the collective decision-making process, individual psychological factors, and situational influences that shape the buying behaviour in organizations.



**Figure 5.1: Sheth Model of Organizational Buying Behaviour**

Source: Jagdish N. Sheth, "A Model of Industrial Buyer Behaviour", *Journal of Marketing*, 37, pp 50-56, October, 1973.

***The Webster and Wind Model***

The Webster and Wind Model of organizational buying behaviour is an extensive model discovered in 1972, that considers four sets of variables: Environmental, organizational, buying center, and individual that part influence on buying decision-making process within a firm.

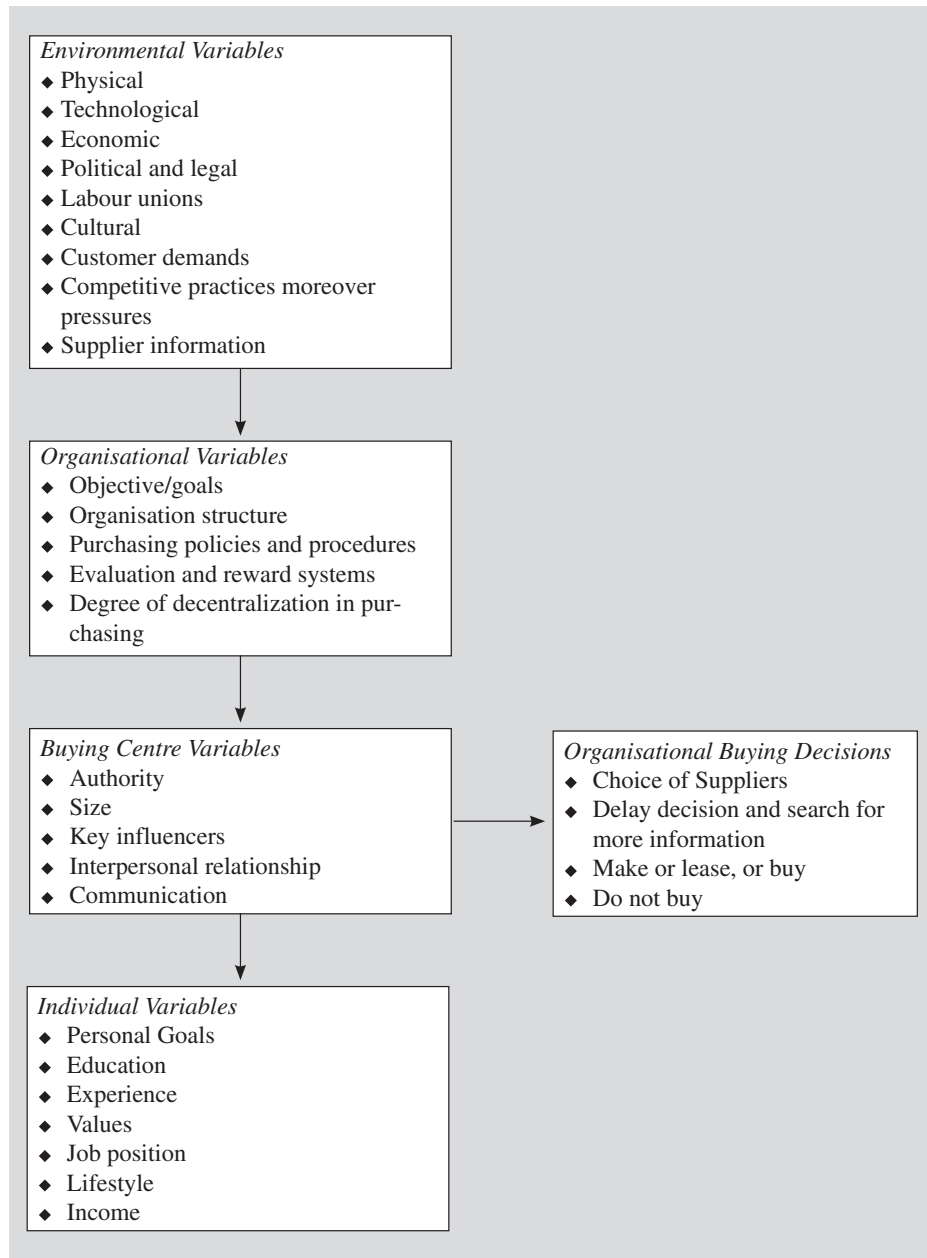
The environmental variables include physical, technological, economic, political, legal, labour unions, competition, and supplier information; these play a role in shaping the buying decisions of individual organizations. For example, recession reduces purchase quantities of a firm.

The organizational variables include objectives, goals, organizational structure, purchasing policies and procedures, degree of centralization in purchasing, and evaluation and reward systems. These tend to impact the composition and functioning of the buying center, and also affect the centralization or decentralization in the purchasing function within the organization.



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The functioning of the buying center is impacted by organizational variables, environmental variables, and individual variables. The collective decision-making process of the buying center generates solutions to the organization's buying problems and also satisfies the personal goals of individual members within the buying center.



**Figure 5.2: Webster and Wind Model**

Source: R.E. Webster, Jr and Y Wind, *Journal of Marketing*, 36, pp 12-17, April, 1972.



## 5.8 Summary

This chapter talks about the multifaceted consumer behaviour studies which tries to understand how consumers behave and what are the impacted by. Very often demographics like age, gender, income etc. tend to impact how consumer behave and purchase. There are various psychographic factors that govern the lifestyle of a consumer and impact their behaviour and decisions. There are also various reference groups that affect consumer in the positive or negative direction of a purchase. Consumer culture talks about the nature of consumers to purchase goods as a social activity, guided by values and opinions. Social class also has an impact on the decisions that consumers make. While individual decision making is more commonly seen, family decision making is also seen among individuals and families where the decision is taken for family as a whole. Similarly. Consumer behaviour is not just restricted to individual purchases for personal consumption but also ha organization consumer behaviour. There are specific models that govern the same like Sheth Model, Webster and Wind Model.

## 5.9 Answers to In-Text Questions

1. (c) Personality
2. (c) Information Society
3. (b) Dissociative groups
4. (b) Psychographic

## 5.10 Self-Assessment Questions

1. How is consumer behaviour different from organizational consumer behaviour.
2. What are the different roles in family decision making.
3. Case: A fitness app company wants to refine its marketing strategy by They aim to increase user engagement, improve customer satisfaction, and boost app subscriptions. They have clientele of varying age groups, popular among both males and females. All sorts of people come here such as those individuals are passionate



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about fitness and enjoy high-intensity workouts, those are interested in holistic well-being, focusing on activities like yoga, meditation, and mindfulness, those who love to socialise and exercising with others. They even have demands coming in for cheaper option for middle class segments.

4. What sort of segmentation should they apply and why? Elaborate
5. Should they plan expansion?
6. What factors would govern for their organizational buying of equipment?

### 5.11 References

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- ◆ Murray, H. B. (2017) CB Consumer Behaviour Second Canadian ed, Nelson Education.

### 5.12 Suggested Reading

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# Glossary

**Advertising and Sales Promotion:** A stream of marketing dealing with communication.

**Affordability:** The extent to which a product's price is within the consumer's financial means, influencing their decision to purchase based on their budget constraints.

**B2B:** Business to Business. It refers to the business model where companies sell products or services directly to other businesses.

**B2C:** Business to Consumer. It refers to the business model where companies sell products or services directly to individual consumers.

**Brand Loyalty:** The consumer's strong preference and attachment to a particular brand, leading to repeat purchases and resistance to switching to alternatives.

**Brand Management:** The strategic process of overseeing and controlling all aspects of a brand to ensure that it resonates positively with target audiences and represents the desired image and values.

**Categorization Process:** The mental process by which people classify things or stimuli into meaningful groups based on their perceived similarities.

**Categorization Theory:** A branch of cognitive psychology aims to clarify how people categorize things, happenings and concepts.

**Cognitive Theory:** A modern approach to understanding motivation that emphasizes the role of cognitive processes, such as beliefs, values, experiences, and perceptions, in shaping one's motivation.

**Consumer:** The person purchasing a product.

**Consumer Behaviour:** The actions and decisions made by consumers in relation to purchasing and using goods or services.

**Consumer Decision Making:** The cognitive and behavioural process through which consumers identify needs, gather information, evaluate alternatives, and make a purchase decision.

**Consumer Inertia:** The tendency of consumers to stick with their existing buying habits and resist change or switching to alternative brands or products.

**Consumer Involvement:** The amount of time, effort, and thought a consumer invests in the search, evaluation, and decision-making process of a purchase.



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**Consumer Knowledge:** The efforts of a marketing team of an organisation to know about the needs and wants of their target customer base.

**Consumer Perception:** It is the term for the arbitrary judgments, ideas, and attitudes that people have about a good, service, or company based on their experiences, feelings, and mental processes.

**Convenience:** The ease and accessibility of purchasing a product, including factors such as store availability, online shopping options, and packaging design.

**Customer Relationship Management:** A stream of marketing dealing with relationship with the consumers.

**Digital World:** The virtual environment created by digital technologies, where information, communication, transactions, and interactions occur electronically through digital devices and networks.

**Discrimination:** The process of separating several categories or stimuli based on their differences or similarities.

**Engel, Kollat, Blackwell (EKB) Model:** A theory of consumer behaviour.

**Entrant:** A new company or brand entering a market to compete with incumbents and gain market share.

**Expectancy Theory:** A cognitive theory of motivation proposed by Victor H. Vroom, which explains the decision-making process individuals undertake to choose one behavioural option over another based on their perceived value of expected outcomes and their belief in the effectiveness of specific actions.

**Family Decision Making Unit:** Within a family or a household, the group that collectively and actively participate in decision making.

**Gestalt Theory:** Suggests that personality should be understood as the interaction of various personal traits and experiences.

**Goal-Setting Theory:** A cognitive theory of motivation introduced by Edwin Locke, which highlights the impact of goal setting on task performance, emphasizing the importance of specific and challenging goals to motivate individuals and enhance their performance.

**Hierarchy of Needs:** A theory proposed by Abraham Maslow that categorizes human needs into a hierarchical structure, starting from basic physiological needs and progressing to higher-level needs like self-actualization.



**High Involvement Products:** Products that require significant consumer involvement due to their high price, perceived risk, and importance in the consumer's life.

**Impulse Buying:** The spontaneous purchase of a product without prior planning or consideration, often influenced by immediate emotions or situational factors.

**Incumbent:** An established company or brand that already holds a significant market share and has an existing customer base.

**Internal Motivation:** Personal desires and needs that influence consumer behaviour, such as fear, material gain, vanity, pride, fashion trends, possession, affection, comfort, sex appeal or romance.

**Learning:** It changes in a person's behaviour arising out of the experience.

**Low Involvement Products:** Products that are purchased with minimal thought or effort, often due to their low price, little differentiation, and low perceived risk.

**Marketer:** A person or entity responsible for promoting and selling products or services to consumers.

**Marketing Analytics:** A stream of marketing utilizing data science.

**Marketing Research:** A stream of marketing dealing with understanding of consumers by using primary data.

**Memory:** It is a process that allows an individual to record and later retrieve information related to products or services.

**Motivation:** The driving force behind our actions and behaviours that guides our desires, needs and expectations.

**Motive:** The impulse or motivation that compels someone to take action, including desires, wishes, needs and drives.

**Myers-Briggs Type Inventory (MBTI):** A well-known assessment test developed by Myers and Briggs, based on Carl Jung's theory of temperaments.

**Neo-Freudian Theory:** A set of theories derived from Freud's work, it focuses on the role of social interaction and relationships in personality development.

**Nicosia Model:** A theory of consumer behaviour.



**Perceived Risk:** The consumer's subjective evaluation of the potential negative consequences associated with a purchase decision, such as financial loss or performance disappointment.

**Perception:** It is the process by which a person arranges and elucidates his sensory impressions to understand and interpret his environment. In the actual world, perception may be used in a variety of contexts, including marketing.

**Personal Factors:** Individual factors of consumer.

**Personality Assessment:** The structured approach of understanding and predicting behaviour by studying how individuals typically behave in different situations.

**Place:** The retailer and location from where the object is being bought.

**Price:** The value being given for the object.

**Product:** The object being purchased.

**Product Strategy:** A stream of marketing dealing with all aspects of management of the product.

**Promotion:** The deal on the object.

**Psychographic Traits:** Characteristics such as confidence, gregariousness, conscientiousness, assertiveness, neuroticism, and adventurousness that can be used to categorize personalities.

**Reference Groups:** Group of people that have a direct or indirect influence or serve as a reference point in formulation of attitude or behaviour of a person.

**Retail Marketing:** A stream of marketing dealing with retailer management.

**Routine Buying Habits:** The habitual purchase behaviour where consumers repeatedly buy the same product or brand without much consideration or evaluation of alternatives.

**Sales and Distribution Management:** A stream of marketing dealing with selling strategy.

**Self-Concept:** The organized arrangement of thoughts, preferences, beliefs, attitudes, and opinions that individuals hold about their identity and capabilities.



**SMART Principle:** A guideline for setting effective goals, suggesting that goals should be Specific, Measurable, Attainable, Realistic and Time-Bound.

**Social Factors:** Factors external to the consumer.

**Social Sector:** It refers to a segment of society dedicated to addressing social issues, promoting well-being, and improving the quality of life for individuals and communities.

**Social Visibility:** The extent to which a product's usage or ownership is noticeable to others, affecting consumer perception, status, and brand choices.

**Stimulus-Response Theory:** States that an individual's personality is shaped by learned response habits to environmental stimuli.

**Theory of Buying Behaviour:** One of the theories of consumer behaviour, given by Howard and Sheth.

**Theory of Reasoned Action:** A theory of consumer behaviour.

**Trait Theory:** A set of theories that explore different aspects of personality, based on the assumption of stable traits and a limited number of shared traits among individuals.

**Value for Money:** The perception of consumers that a product offers good quality and features relative to its price, providing a satisfactory deal or bargain.



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