

**LESSON 01****INTRODUCTION TO CONSUMER PSYCHOLOGY****OBJECTIVES:**

- Definition and Scope of Consumer Psychology
- Consumer Behavior
- Development of Marketing Concept and the fields of Consumer Psychology and Consumer Behavior
  - Production Concept
  - Product Concept
  - Selling Concept
  - Marketing Concept
- Marketing Concept and the Three Business Leaders

**1. Definition and Scope of Consumer Psychology:****Basic Questions**

The field of Consumer Psychology seeks to understand that how individuals make decisions to spend their available resources (time, effort and money) on consumption related items. The important questions facing the consumer psychologists include:

- **What do consumers buy?**
- **Why they buy it?**
- **When the buy it?**
- **Where they buy it?**
- **How often they use it?**
- **How they evaluate products after the purchase?**
- **Impact of such evaluations on future purchase behavior**
- **How they dispose off the products?**

**Psychology**

**“Psychology is the science of behavior and mental processes”**

**Consumer**

- Person who consumes, especially one who uses a product
- Purchaser of goods or services

**Consumer Psychology**

**“Consumer psychology is the study of how people relate to the products and services that they purchase or use”.**

Consumer psychologists study virtually all psychological and behavioral responses that can occur within the context of a person's role as a consumer. And consistent with the goals of psychologists from other areas, research carried out by consumer psychologists is designed to describe, predict, explain, and/or influence consumer responses to product- and service-related information and experiences.

**Research in Consumer Psychology may be used to:**

- Provide information to companies and consumers on what the public needs or wants
- Help an organization (either profit or nonprofit) effectively develop and market products, services, or ideas
- Guide the work of government agencies that are responsible for product safety, identity of brand names, evaluation of advertising claims, and assessment of ethical marketing practices

***Representations in Consumer Psychology***

Consumer psychology contains a broad range of theoretical, conceptual, and methodological perspectives. However, currently the strongest representation comes from researchers in the areas of cognitive psychology, social psychology, marketing, and advertising.

***Social Psychology***

Influence of social situations on human mind and thoughts

***Cognitive Psychology:***

Study of mental representations and information processing

***Advertising:***

Draw favorable attention to goods or services in a public medium to promote sales

***Marketing*****2. Consumer Behavior**

Consumer behavior is the study of the behavior that consumers display during the processes of searching for, purchasing, using, evaluating, and disposing of products and services that they expect will satisfy their needs.

Consumer Behavior describes two kinds of consuming entities:

- The Personal Consumer and;
- The Organizational Consumer

**Personal Consumer**

Buys goods for his/her own use, for the use of household or as gift for friends/families

**Organizational Consumer**

Includes profit and not-for-profit businesses, government agencies and institutions

**3. Development of Marketing Concept and the Disciplines of Consumer Psychology and Consumer Behavior**

The fields of Consumer Psychology and Consumer Behavior are rooted in the development of Marketing Concept, a business Orientation that evolved in the 1950's through several alternative approaches toward doing business, referred to, respectively, as the *production concept*, *product concept* and *the selling concept*.

**A. Production Concept:*****Focus***

Cheap, efficient production and intensive distribution

***Basic Assumption***

Consumers are more interested in obtaining the product than they are in specific features

***Problem***

Ignored the consumers in terms of required product features

**B. Product concept:*****Focus***

- The product
- Strive constantly to improve the quality of product and add new features that are technically feasible

***Basic Assumption***

Consumers will buy products that offer them the highest quality, best performance and the most features

***Problem***

Product Orientation ignores whether or not the consumers really want the new features

**C. Selling concept:*****Focus***

- Needs of sellers
- Sell the products that a company makes
- Profit through sales volume

***Basic Assumption***

Consumers are unlikely to buy a product unless they are aggressively persuaded

***Problem:***

Fails to consider customer satisfaction, Customers are induced to buy products; they do not want or need

**D. Marketing Concept*****Focus***

- Needs and wants of customers
- Profits through customer satisfaction

***Basic Assumption***

Determine needs and wants of specific target markets and deliver the desired satisfaction better than the competition

**4. Development of Marketing Concept****Three Business Leaders****A. Alfred P. Sloan**

Founder Chairman, General Motors

***Company Strategy:***

“A car for every purse and purpose”

**Product Innovation:**

Cars for rich people

Cars for poor people

***Innovative Marketing Concept:***

Market Segmentation

**B. Colonel P. Sanders**

Founder, Kentucky Fried Chicken (KFC)

***Company Strategy:***

- Re-engineer the public perception of a
- Motel

***Innovation Marketing Concept:***

Franchise the cooking methods and chicken recipe

Product Repositioning

**C. Ray Kroc**

Partner, McDonald Brothers

***Company Strategy:***

- Thousands of McDonald's outlets in the country
- Outlets close to churches to target customers

***Innovative Marketing Concept:***

- Hamburger University, centralized facility to train the company's employees
- Market Targeting

**LESSON 02****INTRODUCTION TO CONSUMER PSYCHOLOGY  
(IMPLEMENTING THE MARKETING CONCEPT)****OBJECTIVES:**

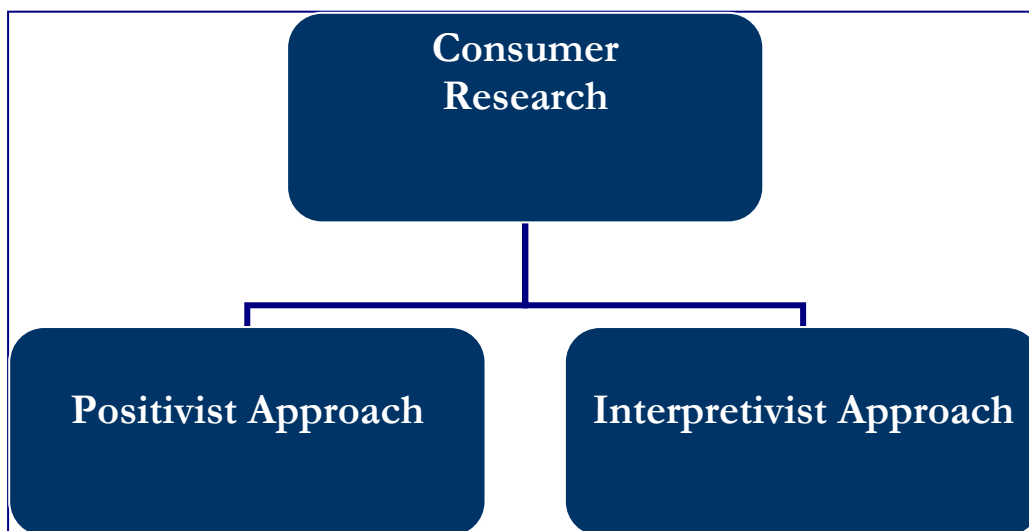
- **Introducing Implementation of the Marketing Concept**
  - The role of Consumer Research
  - Overview of Strategic Tool for Implementing the Marketing Concept
    - Market Segmentation
    - Market Targeting
    - Market Positioning

**Implementing the Marketing Concept**

The wide spread adoption of marketing concept in the American business Industry provided impetus for the study of consumer behavior. To identify unsatisfied needs companies had to engage in extensive marketing research. The needs of customers differ dramatically across different segments of society.

**1. Consumer research**

Consumer Research is a collection of tools & methods to study Consumer Behavior. Broadly speaking there are two theoretical perspectives that guide the development of consumer research methodology.

**A. Positivist Approach**

- Objective and Empirical.
- Studies are conducted to research the causes of behavior that could be generalized to larger populations
- Consumer research designed to provide data to be used for strategic managerial decisions falls into this category

**B. Interpretivist Approach**

- Tends to be qualitative and based upon small samples.
- Interpretivists view each consumption situation as unique and non-predictable
- Search for common patterns of operative values and meanings across consumption situations

**2. STRATEGIC TOOLS FOR IMPLEMENTING THE MARKETING CONCEPT**

Focus of the *Marketing Concept* is consumer needs. At the same time recognizing high degree of diversity among us, consumer researchers seek to identify the many similarities – or constants- that exist among the people of the world.

For example we all have similar **biological needs**, no matter where we are born – the needs for food, nourishment, for water, for air and for shelter all remain the same.

We also develop **acquired needs** after we are born. These needs are shaped by our culture, and environment in which we live, by our education and our experiences. The interesting thing about acquired needs is that there are usually many people who develop the same needs. This commonality of needs enables the marketers to target consumers with specifically designed products and /or promotional appeals that satisfy the needs of that segment.

The three element of this strategic framework are:

- Market segmentation
- Market Targeting and;
- Market Positioning

### 1. Market Segmentation

Market Segmentation is dividing the market into subsets of consumers with common needs. Consumers are grouped together according to some criteria, such that those within a group will respond similarly to a marketing action and those in different groups will respond differently. Some of the potential segmentation variables may by:

- Sex
- Age
- Race
- Income
- Marital Status
- No. of Children
- Usage History

#### Advantages of Customer Segmentation

- Focuses efforts on who to find out more about
- Are the segments identifiable
- Is the segment large enough
- The geographical concentration of the segment
- How price sensitive are the individuals
- How competitive is the segment
- How vulnerable is the segment to additional entrants

Once the relevant segments of the market are identified these are accordingly targeted. The nature of marketing effort changes according to the type of segment targeted

### 2. Market Targeting

**“Market Targeting is selecting one or more of the segments identified for the company to pursue”**

#### *Prerequisites for Targeting:*

Following questions may be considered before targeting a particular segment:

- Is there sufficient heterogeneity in preferences amongst the consumer in a particular segment?
- Is the segment properly identifiable?
- Is the segment large enough to be worthwhile?
- How competitive is the segment

### 3. Market Positioning

Market Positioning is developing a distinct image for the product or service in the mind of the consumer - the image that will differentiate the offering from the competing ones and squarely communicate to consumers that the particular product or service will fulfill their needs better than competing brands.

**Successful positioning centers around two main principles:**

- *Communicating the **benefits** that the product will provide rather than the product's features*
- **Unique Selling Proposition** a distinct benefit or point of difference – for the product or service

**Choosing a Positioning Strategy:**

Following points may be considered while choosing a positioning strategy

- **Identifying possible competitive advantages**
  - Products, services, channels, people or image can be sources of differentiation.
- **Choosing the right competitive advantage**
  - How many differences to promote?
    - Unique selling proposition
    - Positioning errors to be avoided
  - Which differences to promote?

**Criteria for Meaningful Differences:**

Different kinds of criteria for meaningful differences may be developed to rank the product in comparison with its competitors. Such criteria usually consist of the following points

- Important
- Superior
- Preemptive
- Distinctive
- Communicable
- Affordable
- Profitable

**Positioning along many dimensions:**

Positioning may be done on many dimensions. Some of which may be:

- Product Attributes
- Effects
- Price
- User
- Usage
- Relation to other products

**LESSON 03****INTRODUCTION TO CONSUMER PSYCHOLOGY  
(MARKETING MIX)****OBJECTIVES:**

- **Introducing the Concept of Marketing Mix**
  - Understanding the four elements of Marketing Mix::
    - Product
    - Price
    - Place
    - Promotion
  - Services

**Marketing Mix**

Marketing Mix consists of the tools available to a business to gain the reaction it is seeking from its target market in relation to its marketing objectives. It consists of company's services/and or products offerings to consumers and methods and tools it uses to accomplish the exchange. The marketing mix consists of four elements:

1. Product or Service
2. The Price
3. The Place
4. Promotion

**1. Product**

Product is anything that consumer acquires or might acquire to meet a perceived need. Product features, design, brands, and packaging offered along with post purchase benefits such as warranties and return policies. Consumers don't purchase physical features of a product, they buy the perceived benefits.



Various ways are used to improve/differentiate the product and increase sales or target sales more effectively to gain a competitive advantage e.g. some of the ways are:

- Extension strategies
- Specialised versions
- New editions
- Improvements – real or otherwise!
- Changed packaging
- Technology, etc.



**2. Price**

Price is the amount of money one must pay to obtain the right to use the product. This means the list price, including discounts, allowances, and payment methods.

Economists often assume that lower prices will result in higher sales. Price sometimes serves as signal of quality also. A product priced too low might be perceived as having very low quality and a product priced too high might be perceived as of a very high quality. Simultaneously, owning an expensive item also provides information about the consumer. It can dictate that the owner can afford an expensive item



It is important here to note that the price of a product is not the same as the cost of the product.

**Consumer Cost** is everything a consumer must surrender to receive the benefits of owning/using the products.

**3. Place**

Having the product available where the target consumers could purchase it. The distribution of product or services may be made through specific stores and non-store outlets.



#### 4. Promotion

Promotion consists of Strategies to make the consumer aware of the existence of a product or service. This includes advertising, sales promotion, public relations, and sales efforts designed to build awareness and demand for the product or services. Promotion is NOT just advertising

The basis of successful promotion is developing an effective communication strategy and an effective communication strategy requires answers to certain important questions. Which are:

#### The Five Questions of Promotion

1. With whom exactly do we want to communicate?
2. What effect do we want our communications to have on our target consumers?
3. What message will achieve the desired impact on our audience?
4. What means and media should we use to reach the target audience?
5. What should we communicate with our audience?

##### a) With whom exactly do we want to communicate?

- Target Market Member
- Channel Members
- Example: Pediatric nurses are often asked for advice concerning diapers and other non medical infant care. A firm marketing such items will be wise to communicate with such individuals directly in their promotion

##### b) What effect do we want our communications to have on our target consumers?

Often a manager will state that the ultimate objective of all communications is to improve the sales, while this may be the ultimate objective, however, the behavioral objectives are often of much more importance. It may seek to provide more information to the audience, educate the audience on certain features of the product, recommend the product to others, feel good about having bought the product, etc..

##### c) What message will achieve the desired impact on our audience?

What words, pictures visuals will be used, how a particular word is interpreted by the target audience, what kind of symbolism may be used.

##### d) What means and media should we use to reach the target audience?

Can we rely on the packaging of the product to provide information or should we use media, and if so what type of media should we use

##### e) What should we communicate with our audience?

Should we concentrate in our communications near the time purchase tend to be madder or evenly through out the week or the month? Do consumers seek out information shortly before the purchase of our product? If so, then where? Answering these questions requires knowledge of the decision process used by the target market for this product.

#### 5. Services

Earlier we defined product to include services. The services products may be like medical treatments, car repairs or haircut; however, in this section we are discussing services to refer to auxiliary or peripheral activities that are performed to enhance the primary product or service. For example a fast food restaurant may offer free delivery; a car repair shop may offer free pick up and delivery. Auxiliary services are used add tactical advantage to a certain product and these cost money to the company. Therefore, these must be planned carefully and only those services need to be added that will provide maximum value to the consumers.

**LESSON 04****INTRODUCTION TO CONSUMER PSYCHOLOGY  
(CUSTOMER VALUE, SATISFACTION AND RETENTION)****OBJECTIVES:**

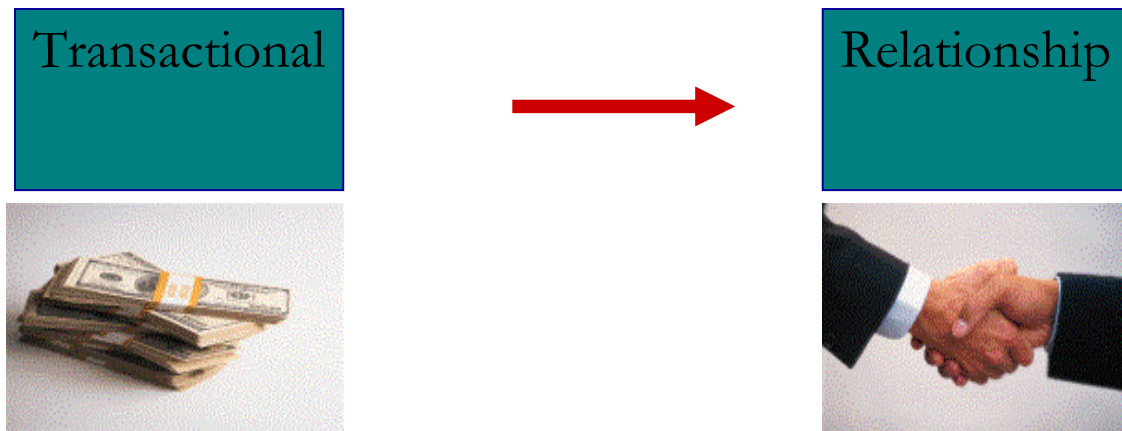
- **Understanding the three drivers of Marketing Concept**
  - Customer Value
  - Customer Satisfaction
  - Customer Retention

**1. Development of Marketing Approaches**

Since its emergence in 1950's many companies have successfully adopted Marketing Concept. Result is extremely competitive markets. There are more products in more shapes and sizes targeting many different consumer segments.

Digital Revolution in 1990's enabled marketers to offer even more products and services and distribute them widely while reducing the costs and barriers of entering into many industries. It has accelerated the rate at which new competition enters market and has also speeded up the rate at which successful targeting, segmentation and positioning approaches must be up-dated or changed. Savvy marketers know they must outperform competitors and achieve full profit potential from each and every customer.

To do this they must make customer the core of company's organizational culture across all departments. Every employee must view customer as part of customer relationship and not as part of customer transaction. So in the traditional Marketing Concept there has been a development from transactional approach to marketing to relationship perspective of marketing.

**Transactional to Relationship Marketing**

- One-off
- Investment in products
- Market Segmentation
- Short-term profit

- Relationship-building
- Investment in customers
- Customer analysis
- Long-term profit

**2. Three Drivers of Successful Customer Relationship**

Three drivers of successful relationship with customer are:

- Customer Value
- High level of Customer Satisfaction
- Building a structure for Customer Retention

## 1. Customer Value

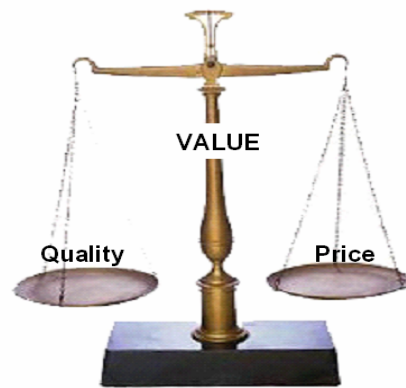
Customer Value is long-existing concept that emerged from ancient trade practices.

- Value: “satisfaction of customer requirements at the lowest total cost of ownership, acquisition and use “
- Value has Relative worth or importance

Customer Value is the ratio between the customers’s perceived benefits (economic, functional and psychological) and the resources (monetary, time, effort, psychological) used to obtain those benefits

### ***Value-Driven Marketing***

Value-Driven Marketing Strategies Assist in 10 Areas:



1. Understanding customer choices (what kinds of products and features are important to customer? Are the products designed keeping in view the choices of the customers)
2. Identifying customer segments (what are the specific needs of customers in a particular segment, which means understanding the common needs of consumers in particular groups)
3. Increasing their competitive options (Means that we add features in the product that would give some competitive advantage to consumers compared to the competitors)
4. Avoiding price wars (providing value in product and keeping the price low)
5. Improving services quality (add additional services that would not let the customers go to another brand )
6. Strengthening communications (maintaining a constant touch with consumers)
7. Focusing on what is meaningful to customers (concentrating on the perceived needs and associating the product effectively with the satisfaction of a perceived need)
8. Building customer loyalty (concentrating on the relationship dimension and developing loyalty of the customer with the product)
9. Improving brand success (using all the handles effectively to improve brand success)
10. Developing strong customer brand success and relationships

### ***Value Proposition***

Providing superior customer value requires the organization to do a better job of anticipating and reacting to the customers needs than the competition does. It is important to understand customer value from the customer’s point of view. The term Unique Selling Proposition is now being widely replaced by the term Value Proposition. For example notice the following value propositions:

#### ***Car manufacturing company:***

Zero defects in manufacturing, and superior and personalized customer service

**PERSONAL COMPUTER MANUFACTURING COMPANY:**

Customized PC systems assembled speedily and sold at uniform prices

**INTERNATIONAL FAST FOOD CHAIN:**

Core Uniform Standards world wide – quality, service, cleanliness and value

***The Value Creating Organizations:***

Organizations (along with individual employees) should be seen as value-creating entities. Value-creating organizations solve individual customer problems. A strong competitive edge can be gained by consistently providing superior customer value. In order to create and deliver superior customer value organizations must be strong in both purpose and process.

**2. Customer Satisfaction**

Individual's perception of the performance of the product or service in relation to his/her expectations is defined as Customer Satisfaction.

- Customer whose experience falls below expectations will be dissatisfied
- Customer whose experience matches the expectations will be satisfied
- Customer whose experience exceeds expectations will be delighted

***Perceived Value***

Customers evaluate experiences as:

- Dissatisfaction            - experience
- Satisfaction                0 neutral experience
- High satisfaction            + positive experience

Such assessments impact future purchase decisions and ongoing relationships with organizations

***Customer Types***

Levels of customer satisfaction may be linked together with customer behavior to identify five customer types:

- **Loyalists:** Completely satisfied customers who keep purchasing
- **Apostles:** Customers whose experiences exceed their expectations and who provide very positive word of mouth
- **Defectors:** Customers who feel neutral or merely satisfied and are likely to stop business with the company
- **Terrorists:** Customers who have negative experience with the company and who spread negative word of mouth
- **Mercenaries:** Customers who are very satisfied but who have no real loyalty to the company and may defect because of low price elsewhere or on impulse

Researches propose that companies should strive to create apostles, raise the satisfaction level of defectors and turn them into loyalists, avoid having terrorists or hostages and reduce the number of mercenaries.

**3. Customer Retention**

The overall objective of providing value to customers continuously and more effectively than the competition is to have highly satisfied customers. Even more than that is to have highly delighted customers. So that it is in the best interest of the customers to stay with the company rather than to switch to another company

The modern day sales environment is characterized by:

- Very few transaction oriented sales groups
- Sales territories are getting smaller
- Customer replacement is expensive

The above factors make it imperative for a company to retain their existing customers.

*Customer retention makes it in the best interest of customers to stay with the company rather than switch to another company*

### **Why Customer Retention:**

Customer retention is important because it is always more expensive to win new customers than to retain the existing ones.

Loyal customers:

- o Are less price sensitive
- o Buy more products
- o Pay less attention to competitors advertising
- o Spread positive word of mouth

### **Selective Relationships:**

Marketers who designate increasing customer retention rates as strategic corporate goals must also recognize that all customers are not equal. Sophisticated marketers build selective relationships with their customers based on where their customers rank with reference to profitability rather than merely striving for customer retention.

*Selective relationships are built with the customers based upon their respective profitability*

### **Customer Profitability Focused Marketing**

A consumer retention savvy company closely monitors its customers consumption volume and patterns and establishes tiers of customers according to their profitability levels and develops distinct strategies towards each group of customers

Customers who have received and purchased several of company's products must receive extensive and expedited customer services.

### **Classifying Customers @ Profitability:**

Classifying customers according to profitability level goes beyond traditional segmentation methods that subdivide consumers on the basis of demographic, socio-cultural, or behavioral characteristics. Customer Profitability Focused Marketing tracks costs and revenues of individual customers and then categorizes them into tiers based upon consumption behaviors that are specific to the company's offerings.

A customer pyramid categorizes consumers into following tiers:

#### **PLATINUM TIER**

Heavy users who are not price sensitive and who are willing to try new offerings

#### **GOLD TIER:**

Heavy users but price sensitive and may buy from multiple providers

#### **IRON TIER:**

Low spending volume

#### **LEAD TIER:**

Customers who actually cost the company by asking for more attention, thus tying up the company's resources and spreading negative word of mouth



**LESSON 05**

**VALUE AND RETENTION FOCUSED MARKETING  
AND  
CONSUMER DECISION MAKING PROCESS**

**OBJECTIVES:**

- **Understanding Value and Retention Focused Marketing**
  - Comparison between Tradition Marketing Concept and Value and Retention Focused Marketing
  - Consumer Decision Making Process
  - What Consumer Psychologists Do?

**1. Tradition Marketing Concept and Value and Retention Focused Marketing**

The Traditional Marketing Concept	Value and Retention Focused Marketing
Make only what you can sell instead of trying to sell what you can make	Use technology that enables customers to customize what you make
<b>DO</b> not focus on the product; focus on the need that it satisfies	Focus on products perceived value as well as the need that it satisfies
Make products and services that match customers needs better than competitors offerings	Utilize an understanding of customers needs to develop offerings that customers perceive as more valuable than competitor's offerings
Research consumers needs and characteristics	Research levels of profit associated with various consumers needs and characteristics
Understand the purchase process and influences upon consumer behavior	Understand consumer behavior in relation to a company's product
Realize that each customer transaction is a direct sales	Make each customer transaction as part of on-going relationship with the customer
Segment the market based on customers geographic, demographic, psychological, socio-cultural, lifestyle and product usage related characteristics	Use hybrid segmentation that combines three traditional segmentation bases with data on customers' purchase levels and patterns of use of the company's products
Target large groups of customers that share common characteristics with messages transmitted through mass media	Invest in technologies that enable you to send one-to-one promotional messages via digital channels
Use one way promotions whose effectiveness is measured through sales data or marketing surveys	Use interactive communications in which messages to customers are tailored according to their responses to previous communications
Create loyalty programs based upon the volume purchased	Create customer tiers based on both volume and consumption patterns
Encourage customers to stay with the company and buy more	Make it very unattractive for your customers to switch to a competitor and encourage them to purchase "better" – in a manner that will raise the company's profitability levels
Determine marketing budgets on the basis of the numbers of customers you are trying to reach	Base your marketing budget on the "lifetime value" of typical customers in each of the targeted segments compared with resources needed to acquire them as customers
Conduct customer satisfaction surveys and present the results to management	Conduct customer satisfaction surveys that include a component that studies the customer's word- of –mouth about the company, and use the results immediately to enhance customer

	<b>relationships</b>
<b>Create customer trust and loyalty to the company and high levels of customer satisfaction</b>	<b>Create customer intimacy bonds with completely satisfied. "Delighted" customers.</b>

Source: Joseph Wisenblit, "Beyond Marketing Concept: From 'Make Only What You Can Sell to 'Let Customers Customize What you Can Make', "The Still man School of Business, Steon Hall University, South Orange, NJ.

**2. Consumer Decision Making**

The process of consumer decision making can be viewed as three distinct but interlocking stages:

**1. The Input Stage:** influences the consumer's recognition of a product need and consists of two major sources of information:

*THE FIRM'S MARKETING EFFORTS (the product itself, its price, promotion and the place where it is sold)*

*EXTERNAL SOCIOLOGICAL INFLUENCES (family, friends, neighbors, other informal and non-commercial sources, social class and cultural and sub cultural memberships)*

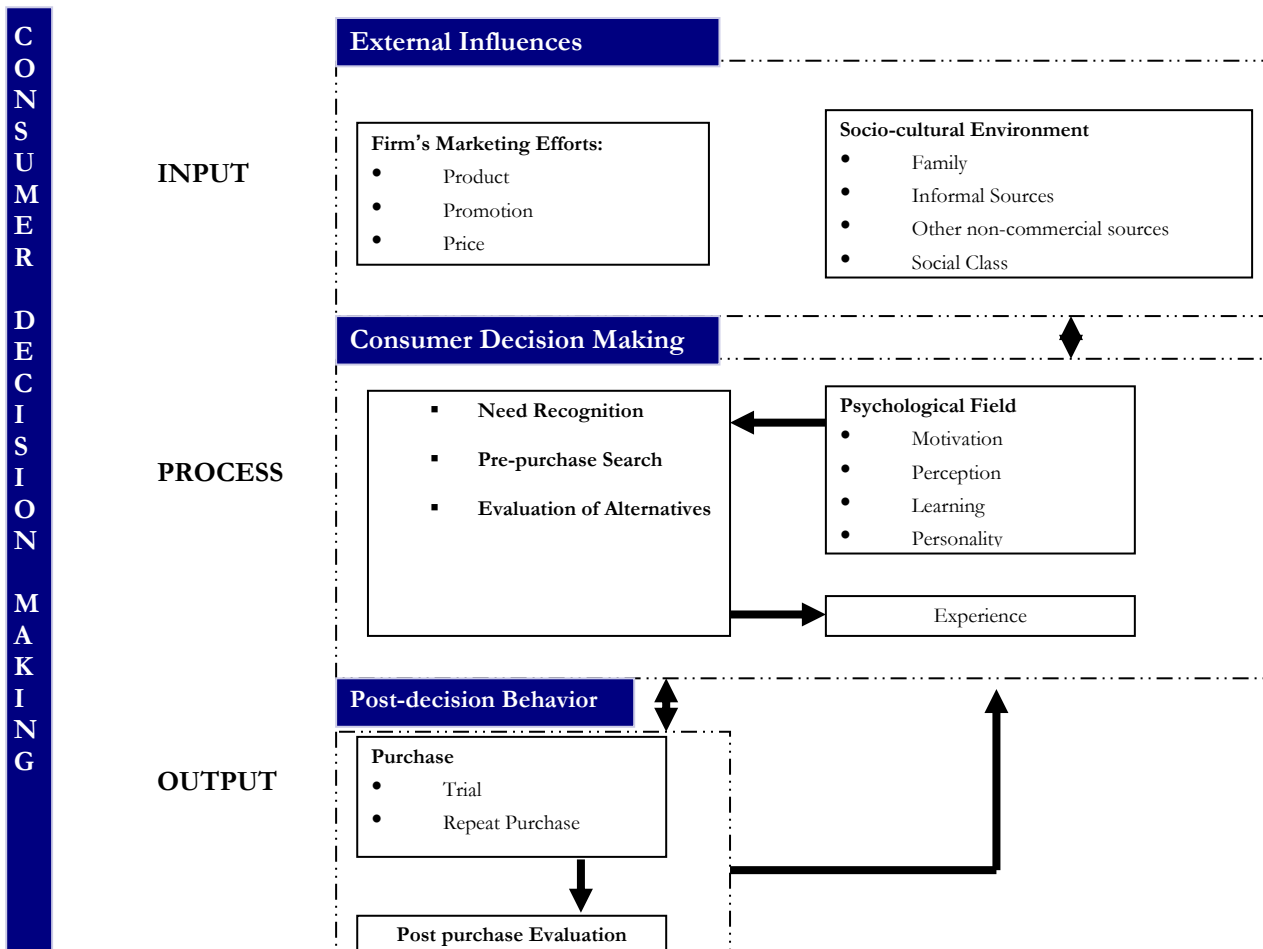
**2. The Process Stage:** focuses on how consumers make decisions. The psychological factors inherent in each individual (motivation, perception, learning, personality, and attitudes) affect how external inputs from the Input Stage influence the consumer's recognition of a need, prepurchase search for information, and evaluation of alternatives

**3. Output Stage:** of the consumer decision making consists of two closely related post decision activities:

*Purchase Behavior*

*Post Purchase Evaluation*

Consumer decision making process will be explored in detail in the subsequent part of the course.



**3. What Consumer Psychologists Do**



Consumer psychologists are educators, researchers, consultants, managers, administrators, and policy makers. The majority of them work in universities, although increasing numbers are also employed in management- and policy-level positions within both the public and private sectors. Academic positions for consumer psychologists are found most frequently in business schools, although a significant number also work within schools and departments that focus on advertising and communication.

The following examples, which are by no means exhaustive, will help to demonstrate the range of activities that are undertaken by consumer psychologists.

- **In the laboratory** - a psychologist is photographing eye movements for a package design company as his research participants observe a succession of soft drink containers.
- **At a government bureau** - a psychologist presents the results of a study concerning consumer response to an advertising claim that is literally true but has false inferential implications.
- **On an overseas flight** - a psychologist is administering a series of projective questions to a sample of travelers for an airline.
- **At an automobile company** - a psychologist assesses consumer response to various combinations of product features to help engineers determine the optimal combination.
- **At a university** - a psychologist is helping develop a theoretical model of financial decisions made by families.
- **At an advertising agency** - a psychologist is presenting study findings that show how well alternative commercials communicate, and improve attitudes toward a brand of coffee.
- **In the classroom** - a psychologist is teaching students about children's responses to advertisements and to children's television programs that promote program-related toys and action figures.
- **At a research firm** - a psychologist is conducting a group discussion with eight women who have stopped serving meat to their families.
- **At a kitchen table** - a psychologist is observing a successful life insurance salesman talk with a prospect.
- **In the courtroom** - a psychologist is testifying as an expert witness in a trademark infringement case.
- **In an Asian capital** - a psychologist studies how consumers from different cultures use a product differently.

#### 4. Training in Consumer Psychology

In the early years of the discipline, consumer psychologists were individuals who had a PhD in psychology or a related quantitative discipline (statistics, economics). Today many consumer psychologists have advanced degrees in marketing, management, or advertising. Therefore, an undergraduate student with a degree in psychology and a genuine interest in consumer psychology would be wise to seek graduate training within a professional school or department. If the ultimate goal is an academic position at a university, then students should apply to doctoral programs in the type of department where they will ultimately be seeking an academic position (e.g., advertising, marketing). Students who feel they would like to pursue consumer psychology in a business setting would also benefit from business training. If, however, a student does wish to continue their graduate training in a psychology department, then they should take additional courses from the graduate programs in the relevant professional school, and also consider working with a faculty member from that school on research projects.

Regardless of the ultimate career goal of a student of consumer psychology, rigorous training in research methods is critical. Graduate students must master the basics of experimental methodology, survey research methods, and statistical analysis before they can study more advanced research methods such as covariance structure modeling, response latency-based methodologies, and computer simulation. Such training should enable students to produce well-designed experiments that rule out alternative explanations for a cause-effect relationship, and/or questionnaires that minimize question-wording effects, order effects, memory biases, and response-scale effects. Finally, knowledge of the appropriate statistical procedures must also be acquired so as to control for sampling error and for other sources of variation in participants' responses.

Many leading graduate programs in psychology, marketing, and communications/advertising have faculty members that specialize in consumer psychology. The best way to identify the programs that are most appropriate for you is to read the journals listed below. The articles that interest you also provide information about the authors and

about their affiliations. Often the address of at least one of the authors is provided in a footnote. This information should prove to be useful in helping you to develop a list of programs to which you may apply.

- *Journal of Consumer Psychology*. This journal is the primary outlet for research in consumer psychology. Sponsored by the Society for Consumer Psychology (SCP - Division 23), it is devoted entirely to consumer psychology.
- *Journal of Consumer Research*. This interdisciplinary journal, sponsored by the Association for Consumer Research, contains a great deal of research in consumer psychology. It also contains research in consumer anthropology and sociology.
- Business research journals such as the *Journal of Advertising*, the *Journal of Marketing Research*, and the *Journal of Marketing* also contain research focused on consumer psychology.
- Finally, research in consumer psychology can be found in the major journals in social psychology, including the *Journal of Personality and Social Psychology*; the *Journal of Experimental Social Psychology*; *Personality and Social Psychology Bulletin*; *Public Opinion Quarterly*; the *Journal of Applied Social Psychology*; and the *Journal of Applied Psychology*; as well as in the major journals in cognitive psychology, including *Psychological Review*; the *Journal of Experimental Psychology: Learning, Memory, and Cognition*; *Cognitive Psychology*; *Memory & Cognition*; and the *Journal of Behavioral Decision Making*.

Just as there is tremendous diversity in the backgrounds, theoretical and methodological expertise, and interests of consumer psychologists, there are diverse paths toward a job in consumer psychology. A student's academic background and prior business experience (as well as the current economic conditions) will determine how quick and successful that student will be in a job search. Prime sources of job listings are the *APA Monitor*, *Marketing News*, *Advertising Age*, and the *Wall Street Journal*. Students who are interested in working in the private sector can also use the business library to look up the names of the research directors of major corporations and advertising agencies. Finally, professional contacts can be made through becoming an active member in organizations such as the Society for Consumer Psychology. More information about SCP and related organizations can be found at our website: <http://fisher.osu.edu/marketing/scp/>.

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*Author note.* Portions of this article were drawn from material prepared by William O. Bearden and Leon B. Kaplan, and later modified by Frank R. Kardes, Lynn R. Kahle, Sharon Shavitt, and Curt Haugtvedt. The complete document can be found on the SCP website (<http://fisher.osu.edu/marketing/scp/>) under the "Education and Training" link. Thanks also to John Mowen, past-president of SCP, for information on the history of Division 23.

**LESSON 06****CONSUMER RESEARCH  
(CONSUMER RESEARCH PARADIGMS)****OBJECTIVES:**

Understanding the following paradigms of Consumer Research

- Qualitative Research
- Quantitative Research
- Combining Qualitative and Quantitative Research
- Research Objectives

**1. CONSUMER RESEARCH PARADIGMS**

Owing to the earlier business paradigms consumer researchers thought of consumers as logical Individuals who act rationally to maximize their benefits. They thought consumers purchase the most beneficial product at the lowest possible cost and the consumers purchase decision is a calculated one.

Eventually the researchers realized that consumers were not always consciously aware of why they made the decision they did. Even when they were aware of the reasons, they were not willing to reveal.

In 1939, a Viennese Psychologist Ernest Dichter began to use Freudian Psychoanalytic techniques to uncover the hidden motives of consumers. Psychoanalysis is a dynamic theory of personality that states that human behavior springs from unconscious drives and wishes.

By late 1950's most consumer researchers adopted Ernest Dichter's technique, which was called "*Motivational Research*" – essentially a qualitative approach.

As a result of Dichter's work and subsequent research designed to search deep within the consumer's psyche, consumer researchers today use two different types of research methodology to study consumer behavior:

- Quantative Research and,
- Qualitative Research

**1. Quantitative Research**

Quantitative research is descriptive in nature and is used to understand effects of various promotional inputs on the consumers, thus enabling researchers to predict consumer behavior. The research approach is known as ***Positivism***. The research methods used in Quantitative research consist of observation, survey techniques and experiments. Researchers primarily concerned with predicting consumer behavior are called ***Positivists***

**2. Qualitative Research**

Tends to be qualitative in nature. It is based upon data gathered from small sample. It views each consumption situation unique and non-predictable. The main emphasis of qualitative research upon understanding consumer experiences has led to the term ***Interpretivism***. Researchers who adopt this paradigm are called ***Interpretivists***. They seek to find common patterns of operative values, meanings and behavior across consumption situations. The methods included in qualitative research are:

- Depth Interviews
- Focus Groups
- Projective Techniques
- Metaphor Analysis

**Combining Qualitative and Quantitative Research**

Marketers often use a combination of qualitative and quantitative research. To discover new ideas and develop promotional strategy qualitative research findings are used. To predict Consumer reactions to various promotional

inputs ideas stemming from qualitative are tested empirically to become the basis for the design of quantitative research

## 2. CONSUMER RESEARCH PROCESS

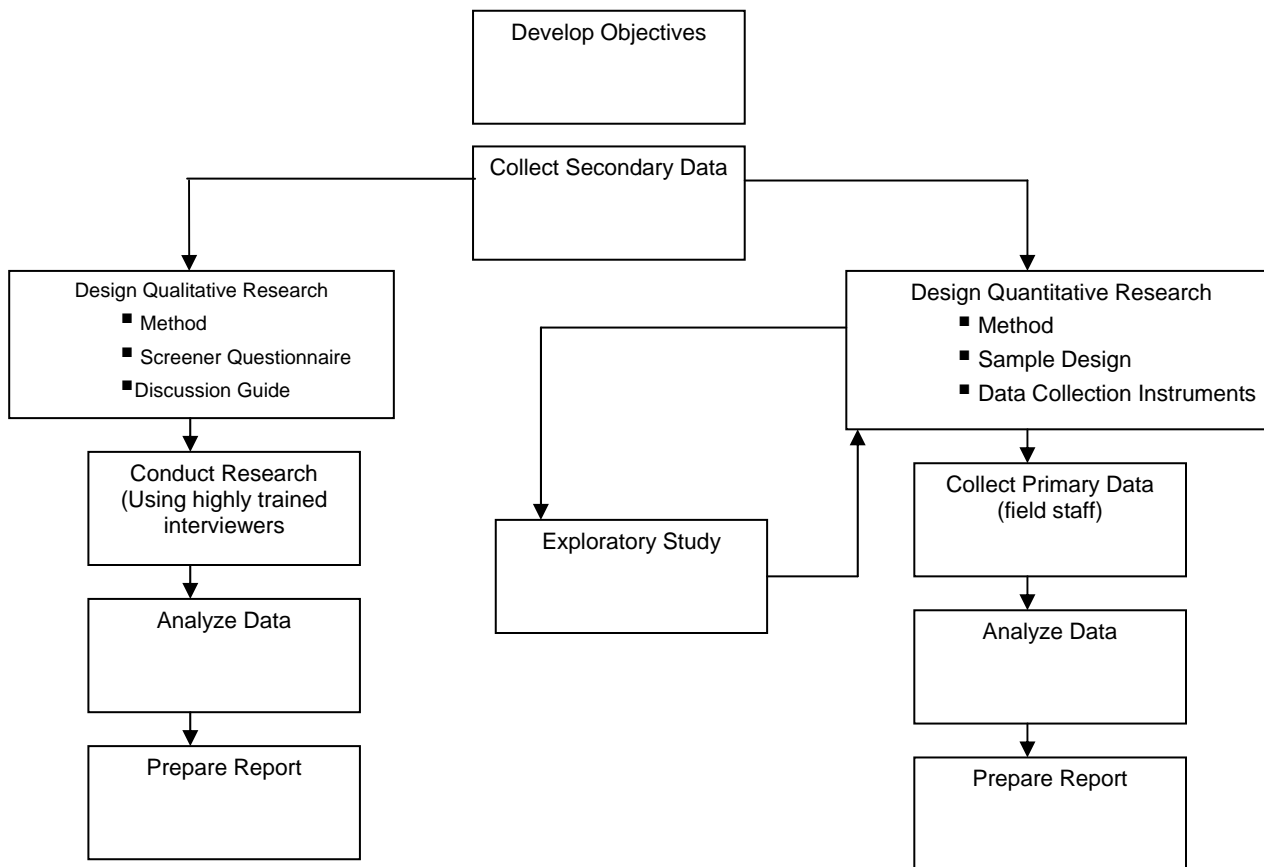
### Major Steps in Consumer Research Process

The major steps in consumer research process include:

1. Defining the Objectives of Research
2. Collecting and Evaluating Secondary Data
3. Designing a Primary Research Study
4. Collecting Primary Data
5. Analyzing Data
6. Preparing Report on Findings

### Model of Consumer Research Process

The following figure shows a model researchers use for guiding them in their researches:



**LESSON 07****MAJOR STEPS IN CONSUMER RESEARCH PROCESS**

The major steps in consumer research process include:

**7. Defining the Objectives of Research**

The first and most difficult step in the consumer research process is designing the objectives of research. What is the research being carried out for? For example to:

- Segment the market for bicycles
- Learn about consumers attitudes about on-line shopping
- Determine how many households use e-mails?

Carefully designed statement helps determine type and level of information needed. Purpose of study determines what kind of research will be undertaken, whether it will be qualitative research or quantitative research.

If the purpose of study is to come up with new ideas for promotional campaigns then qualitative study is usually undertaken. Respondents spend time with highly trained interviewer-analyst who interview them and analyse their responses.

If the purpose of study is find out how many respondents use certain products and how frequently then quantitative study that can be computerized may be used

Sometimes the researchers don't know what questions to ask. In such cases small scale Exploratory Research is carried out before conducting a full scale study. This is done in order to explore the main issues

**8. Collecting and Evaluating Secondary Data**

Second step of the research is to collect secondary data. Secondary information is data originally generated for some purpose other than the present research objectives. Such data may be collected from earlier in-house studies or customer's information collected by the firm's sales or credit department

**9. Designing a Primary Research Study**

Primary Information is original research conducted by individual researchers and organizations to meet with specific objectives. Secondary research provides sufficient insight into the clues and directions for the design of primary information

Primary research is conducted when detailed information on consumers' purchasing patterns or product usage is required or the consumers' socio-cultural or psychological information is needed. Research to secure such information is more costly and time consuming than secondary research

**Syndicated Data**

It is often very costly to collect primary data. Many companies routinely purchase syndicated data on consumption patterns. Syndicated data are data of interest to a large number of users that are collected periodically and compiled and analyzed according to a standard procedure; then sold to interested buyers

**Design of Primary research**

Design of a primary research is based upon the purposes of study

- Qualitative Study: To get new ideas
- Quantitative Study: Descriptive Information

**LESSON 08****QUANTITATIVE RESEARCH DESIGNS &  
DATA COLLECTION METHODS****OBJECTIVES:****UNDERSTANDING**

- QUANTITATIVE RESEARCH DESIGNS
  - Surveys
    - *Personal Interview Surveys*
    - *Telephone Surveys*
    - *Mail Surveys*
    - *Online Surveys*
- DATA COLLECTION INSTRUMENTS
  - Reliability & Validity
  - Questionnaires

If researchers wish to ask consumers about their purchase preferences and consumption experiences they can do so:

- In person
- By mail
- By telephone
- On-line

**1. Types of Surveys****1. Personal Interview Surveys**

Most often take place at:

- Home
- Retail shopping areas (Mall Intercepts)

The later referred to as *Mall Intercepts* are used more frequently than home interviews because of

- High incidence of not at home working women
- Reluctance of people to allow a stranger in their home

**2. Telephone Surveys*****Process***

Questionnaires are carefully drafted and interviewers are briefed on the calling techniques to engage the respondents on the telephone. Interviewers build rapport with the respondents and questions are asked and the responses are noted on the answer sheets. Answer sheets are with the interviewer who marks the respondents' choices. Answer sheets could be paper based or electronic computer based

***Appropriate Timings***

Evenings and weekends are appropriate times, however, in Pakistan a large number of females are housewives so the time after the breakfast and before the ladies start preparing for lunch could also be available

***Difficulties involved in Telephone Interviews***

Increased use of answering machines makes it difficult to reach the respondents. Caller ID facility on the phone to screen the calls sometimes plays a hampering role in getting down to the respondents. The situation is made more complicated by the limited timings during which the respondents can be reached. Reluctance from respondents

may be faced to get them on the telephone for calls that interrupt their general relaxation or TV viewing or running other house-hold cores time.

Some Marketing Research companies have tried to automate the telephone interviews. The find respondents are even less willing to interact with an electronic voice than with a live interviewer

### 3. Mail Surveys

#### ***Process:***

Mailing Surveys are conducted by sending the questionnaires directly to individuals at their homes. The questionnaire is properly drafted so that respondents won't have any difficulty in understanding the questions and/or how to mark the responses

#### ***Difficulties:***

To understand the difficulties involved in mailing surveys you may consider the question, what will be your response if you get a questionnaire by mail? Will you read it fill it and then put it in an envelope and send it back through mail? Chances are a lot of people out there will not be willing to engage in any such exercise. Exactly the same way the response rate for the mailed questionnaires is very low

Firms use various ways to increase the response rate that include:

- Enclosing a self addressed stamped envelope
- Asking provocative questions
- Sending pre-notification letters and follow-up notes

#### ***Setting up Panels of consumers***

Panels of consumers are sometimes set up in which a token fee is sometimes paid to the respondents for filling out the questionnaires. Research companies regularly send surveys to panel members. Sometimes the panel members are required to keep diaries of their purchases

### 4. On-line Surveys

#### ***Process:***

After the widespread adoption of internet in personal life-styles, research companies use this medium frequently to conduct their surveys. Research companies frequently send their questionnaires to respondents on their e-mail addresses. Respondents are also directed to the research firm or the product company's web sites through internet ads.

#### ***Difficulties:***

Difficulties in on-line surveys involve:

- Low response rates
- Sample is self selected and therefore cannot project large population

#### ***Solutions:***

- Most computer polls ask respondents to complete a profile consisting of demographic questions
- Questions about respondents age, locations, academic backgrounds, etc...
- These questions enable the researchers to classify the responses to the substantive product or service
- Paying the respondents
- Respondents go on filling the questionnaires and they get paid for every questionnaire they fill

#### ***Benefits of On-line Polls***

Certain benefits attached with on-line polling may include:

- Anonymity - that encourages respondents to be more forthright and honest
- Internet polls are wide reaching
- Cost effective



### 5. Comparative Advantages/Disadvantages Mail, Telephone, Personal Interviews and On-line Surveys

	<i>Mail</i>	<i>Telephone</i>	<i>Personal Interview</i>	<i>On-Line</i>
<b>Cost</b>	Low	Moderate	High	Low
<b>Speed</b>	Slow	Immediate	Slow	Fast
<b>Response Rate</b>	Low	Moderate	High	Self Selected
<b>Geographic Flexibility</b>	Excellent	Good	Difficult	Excellent
<b>Interviewer Bias</b>	N/A	Moderate	Problematic	N/A
<b>Interviewer Supervision</b>	N/A	Easy	Difficult	N/A
<b>Quality of Response</b>	Limited	Limited	Excellent	Excellent

## 2. Data Collection Instruments

Data collection instruments are developed as part of study's total research design to systematize the collection of data and to ensure that all respondents are asked the same question and in same fashion. Two concepts are important in this regard

### **Reliability**

A study is reliable if the same question asked of a similar people will produce the same findings. Often a sample is systematically divided into two halves; each half is given the same questionnaire to fill. If the results from each half are same result is said to be reliable. This way the questionnaire is said to have split-half reliability

### **Validity**

A study is valid if it does collect the appropriate data needed to answer the questions or objectives stated in the first stage of the research process.

Quantitative Data Collection Instruments include:

- Questionnaires
- Attitude Scales

### 1. Questionnaires

For quantitative research, primary data collection instrument is the questionnaire. Following are some important guidelines that need to be considered while wording questions in a questionnaire:

#### Guidelines for Wording Questions

1. **Avoid Leading Questions.**
  - a. Do you often shop at such cost saving shopping stores as .....
  - b. Weren't you satisfied at the service you received at ..... store today
2. **Avoid two questions in one**
  - a. In your view did you save good money and received good services when you visited ..... last Sunday
3. **Questions must be clear**
  - a. Where do you usually shop for your home-office supplies  
The term *usually* is vague
4. **Use words that consumers use routinely**



- a. Do not use verb “to rectify” use “to correct”
- 5. **Respondents must be able to answer the question**
  - a. How many newspaper or TV ads for ..... did you read or see during the last week
- 6. **Respondents must be willing to answer the question**
  - a. Questions about money, health issues, and personal hygiene can embarrass respondents and cause them not to answer. Sometimes asking a question in a less personal fashion might help generate more responses.

### ***Questionnaire Administration***

Questionnaires may be administered by:

- Field interviewers
- Through mail
- Internet
- Telephone

### ***To Get the Response***

- Questionnaires must be interesting
- Objective
- Unambiguous
- Easy to complete
- Generally not burdensome to complete

### ***To Enhance the Analysis***

To enhance the analysis and classification of responses into meaningful categories, questionnaires include both:

- Substantive questions relevant to the objectives of study
- Pertinent demographic questions

### ***Disguised/Undisguised Questionnaires***

Questionnaire can be disguised or undisguised as to its true purpose

- Disguised questionnaire sometimes yields more truthful answers and avoids responses that respondents may think are expected or sought

### ***Open Ended, Closed Ended Questionnaire***

- **Open Ended:** Requiring answers in the respondents own words
  - Yield more insightful information
  - Difficult to analyze and code
- **Closed Ended:** Respondents merely check the answers from the available answers from a list of options
  - The answers are limited to the existing insights of the researchers
  - Easy to tabulate and analyze

**LESSON 09**

**QUANTITATIVE RESEARCH DATA COLLECTION TECHNIQUES**

**OBJECTIVES:**

- Understanding Attitude
- Defining the Attitude Scales
- Learning four types of Attitude Scales:
  - Likert Scale
    1. Satisfaction Measures
    2. Importance Scales
  - Semantic Differential Scale
  - Behavior Intention Scale
  - Rank Order Scale

**ATTITUDE SCALES**

To be successful a company must understand the needs of specific groups of consumers and then satisfy these needs more effectively than the competition does. Studying consumer behavior in all its ramifications enables marketers to predict how consumers react to a certain promotional message and to understand why they make certain decisions they do. So it becomes important for the researchers to understand attitudes of the consumers

**Attitude**

Attitude is a relatively stable disposition to act in a certain way towards a target objective

**Attitude Scale**

Instruments used to capture evaluative data. Researchers provide respondents with a list of products or product attributes for which they are asked to indicate their relative feelings or evaluations

**Types of Attitude Scales**

Most frequently used attitude scales are:

- Likert Scale
- Semantic Differential Scale
- Behavior Intention Scale
- Rank-Order Scale

**1. Likert Scale**

Likert Scale is easy to prepare and interpret for the researcher and for the respondent to answer. Respondents check or write the number corresponding to their level of agreement or disagreement with each series of statements that describes the attitude object under investigation. The scale consists of an equal number of agreement/disagreement choices on either side of the neutral choice.

**Example:**

For each of the following statements please check the response that best describes the extent to which you agree or disagree with the statement

<i>Statements</i>	<i>1</i>	<i>2</i>	<i>3</i>	<i>4</i>	<i>5</i>
	<i>Strongly Agree</i>	<i>Somewhat Agree</i>	<i>Neither Agree Nor Disagree</i>	<i>Somewhat Disagree</i>	<i>Strongly Disagree</i>
<i>Its fun to shop on-line</i>					
<i>I'm afraid to give my credit card number on-line</i>					

**Applications of Likert Scale:**

Two widely used applications of Likert Scale are:

**1. Satisfaction Measures**

Overall how satisfied are you with bank X's on-line banking

<i>Statement</i>	<i>Very Satisfied</i>	<i>Somewhat Satisfied</i>	<i>Neither Satisfied Nor Dissatisfied</i>	<i>Somewhat Dissatisfied</i>	<i>Very Dissatisfied</i>
Overall how satisfied are you with bank X's on-line banking					

**2. Importance Scales**

Following list of features are associated with shopping on the internet. For each feature, please check the one alternative that best describes how important or unimportant is that feature for you

<i>Features</i>	<i>Extremely Important</i>	<i>Somewhat Important</i>	<i>Neither Important Nor Unimportant</i>	<i>Somewhat Unimportant</i>	<i>Not at all Important</i>
Speed of downloading the order form					
Being able to register with the site					

**Benefits of Likert Scale**

Principal benefit of Likert Scale is that it gives researcher the option to consider response to each statement separately or of combining the responses to produce an over-all score s

**2. Semantic Differential Scale (SDS)**

SDS like Likert scale is easy to construct and administer. The scale typically consists of a series of bi-polar adjectives e.g. good/bad, hot/cold, like/dislike anchored at the ends of an odd numbered continuum (e.g. 5 point or 7 point scale). Respondents are asked to evaluate a concept (or product or company) on the basis of each attribute by checking the point on the continuum that best reflects their feelings or beliefs

**Important Features of Semantic Differential Scale:**

- **Odd numbered** scale (e.g. 5 point or 7 point scale) is used for keeping a neutral option
- Sometimes **even numbered** scale is used for eliminating the neutral option
- Care must be taken to vary the **location of the positive and negative** terms. When using English Language positives are kept on the left side because English language is written from left hand side to right hand side and vice versa in Urdu language.
- SDS may be used to develop graphical consumer profiles of the concept under study
- **SDS profiles** are used to **compare the consumer perceptions** of competitive products and to indicate areas for product improvement when perceptions of existing products are measured against perceptions of the ideal product

**Example:**

Suppose a Carbonated Soft Drinks (CSD) (Cola Drinks) manufacturing company wants to improve the features of its product according to the taste preferences of target consumers. As a first step they need to know, the taste profile of an ideal CSD with reference to different taste features. Then they will have to learn what the existing

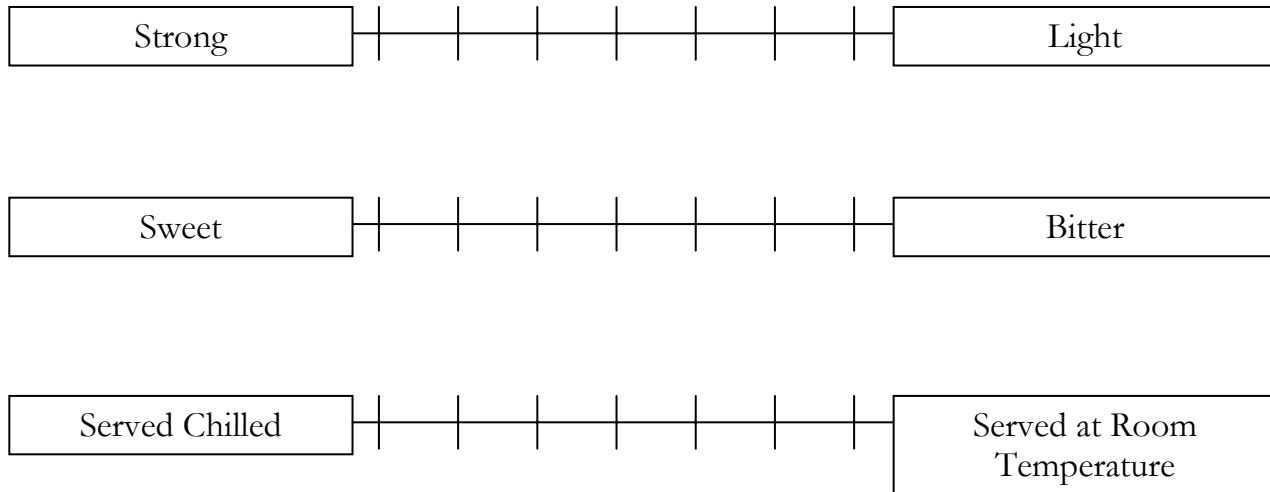
taste profile of their CSD is. Once they have the ideal and the existing taste profiles they can compare both profiles to adjust the existing taste profile according to the ideal taste profile.

To conduct such a research the organization may effectively use Semantic Differential Scale in the following manner:

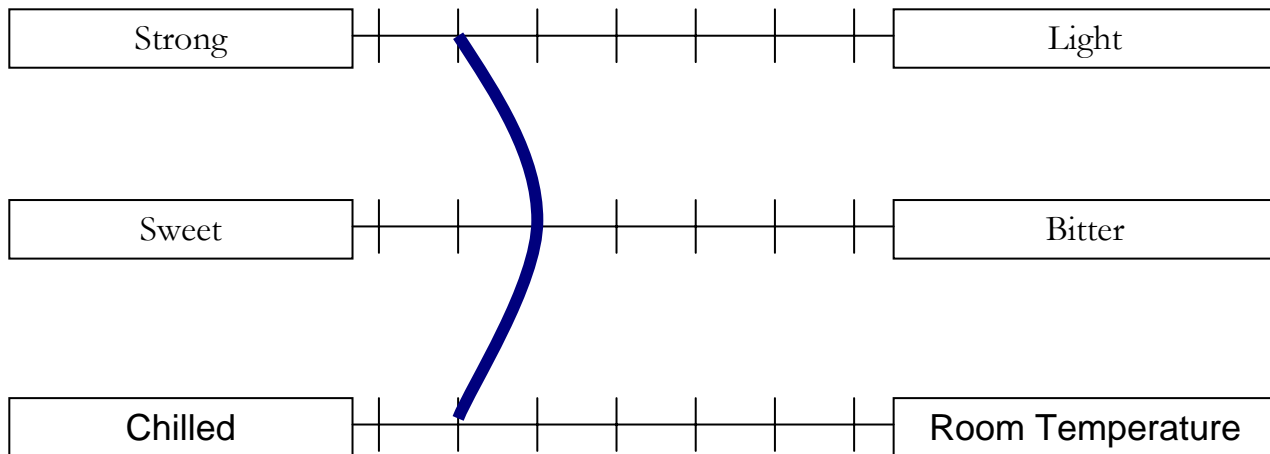
The three features of the taste profile under study are:

- Strong VS. Light
- Sweet VS. Bittern
- Served Chilled VS. Room Temperature

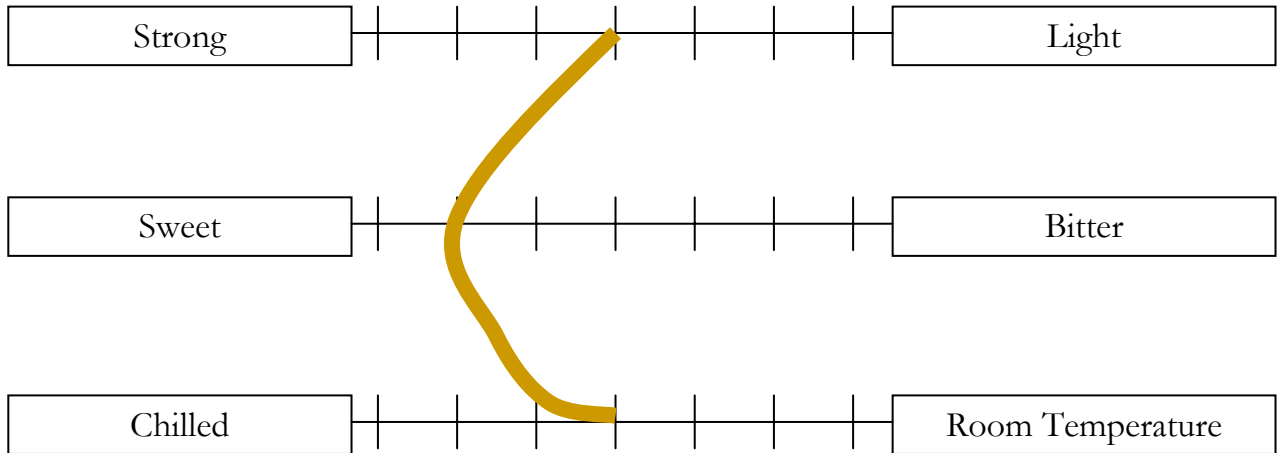
The Semantic Differential Scale prepared for the study looked something like the figure below:



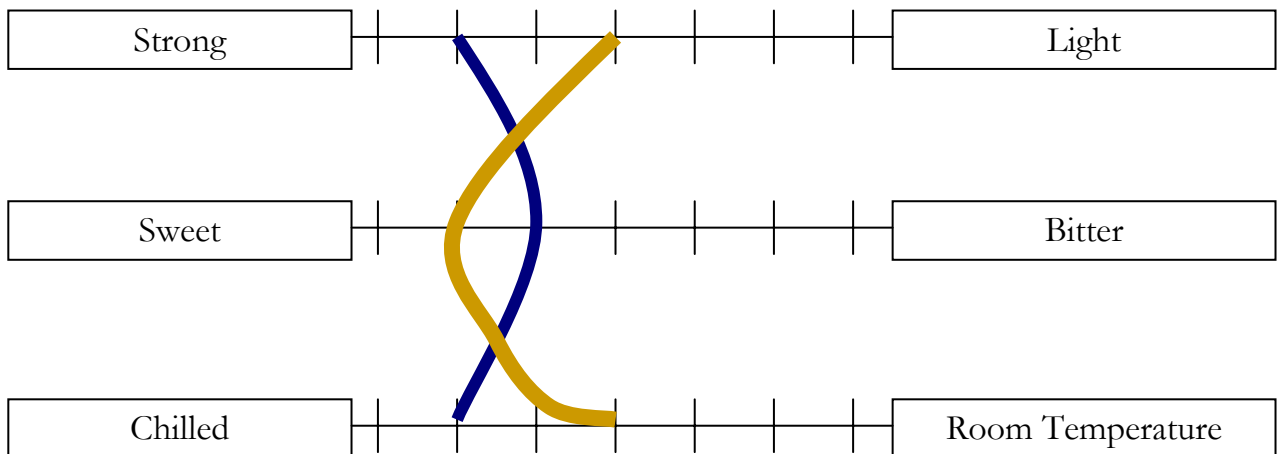
After the questionnaire was filled by a large number of target consumers, the ideal taste profile turned out to be something like the figure below:



The same questionnaire was used to learn about the existing taste profile. After the questionnaire was filled by a large number of target consumers, the existing taste profile turned out to be something like the figure below:



Both profiles are compared in the figure below to pin point the differences and it turned out be something like the figure below:



**3. Behavior Intention Scale**

Behavior Intention Scale measures the likelihood that consumers will act in a certain way in the future, such as buying the product again or recommending it to a friend. The scales are easy to construct and consumers are asked to make subjective judgments regarding their future behavior.

**Example:**

The management of a bank would like to know that how their services will rate with their consumers during the next six months. To have a reasonably reliable prediction they may use Behavior Intention Scale in the following manner:

How likely are you to continue using Bank X's on-line banking for the next 6 months				
<i>Definitely will continue</i>	<i>Probably will continue</i>	<i>Might or might not continue</i>	<i>Probably will not continue</i>	<i>Definitely will not continue</i>

How likely are you to recommend Bank X's on-line banking to a friend				
<i>Definitely will recommend</i>	<i>Probably will recommend</i>	<i>Might or might not recommend</i>	<i>Probably will not recommend</i>	<i>Definitely will not recommend</i>

#### 4. Rank Order Scale (ROS)

Subjects are asked to rank items such as products (or retail stores or websites) in order of preference in terms of some criterion, such as over-all quality or value for the money. ROS provide important competitive information and enable marketers to identify needed areas of improvement in product design and product positioning

##### *Example:*

We would like to find out about your preferences regarding the banking methods. Please rank the following banking methods by placing a "1" in front of the method that you prefer most. A "2" next to your second preference and continuing until you have ranked all of the methods

Inside the bank

On-line Banking

Banking by Telephone

ATM

Banking by mail

**LESSON 10****QUALITATIVE RESEARCH DESIGNS &  
DATA COLLECTION METHODS**

Qualitative Research seeks to find common patterns of operative values, meanings and behavior across consumption situations. It tends to be qualitative in nature and is based upon small sample. Qualitative Research views each consumption situation as unique and non-predictable.

In selecting appropriate type of research format in qualitative study researcher has to take into consideration:

- The Purpose of Study
- Types of data needed

All the qualitative research methods have roots in Psychoanalytic and Clinical aspects of Psychology. The emphasis is upon open-ended and free response types of questions to simulate respondents to reveal their innermost thoughts and beliefs.

Viennese Psychologist Sigmund Freud developed the dynamic theory of personality called Psychoanalysis. According to Sigmund Freud human behavior springs from unconscious drives and wishes.

They key data collection techniques for qualitative studies are

- Depth Interviews
- Focus Groups
- Discussion Guides
- Projective Techniques
- Metaphor Analysis

These techniques are regularly used in early studies of attitude research to pinpoint relevant product related beliefs or attributes and to develop an initial picture of consumer attitudes (especially the beliefs and attributes they associate with particular products and services).

**1. Depth Interviews**

A lengthy, generally 30 minutes to one hour non-structured lengthy interview between a respondent and a highly trained interviewer is called a Depth Interview.

***Composition of Depth Interview***

Depth Interviews can involve one interviewer and one respondent that is why it is also called one on one interviews or individual in-depth interviews. They may involve 8-15 participants but in that case it will be called a Focus group. Groups of 4-5 are referred to as mini groups

***Process***

The interviewer minimizes his/her own participation after establishing the general subject to be discussed. Respondents are encouraged to talk freely about their activities, attitudes and interests in addition to the product category and brand under study. The interviewer may not have a specific set of prescribed questions in mind that must be asked in order imposed by the questionnaire, instead there is freedom to create questions to probe those questions that appear relevant and generally try to develop set of data that appear relevant. Transcripts, videotapes or audiotape recordings of interviews are then studied carefully together with reports of respondents' moods and any gestures or body language they may have used to convey attitudes or motives

***When Appropriate***

Depth Interviews are conducted when:

1. Detailed study of individual's behaviors, attitudes, or needs is required

- 
2. The subject matter is likely to be of highly confidential nature (e.g. personal investments)
  3. The subject matter is of emotionally charged or embarrassing nature (e.g. a weight reduction formula)
  4. Certain strong social norms (e.g. child rearing practices)
  5. Detailed understanding of a complicated behavior or decision making patterns (e.g. family planning)
  6. Interviews with professional people

***Purposes:******Copy testing:***

Respondents might be asked to describe in depth various ads they are shown

***Auto Driving:***

Researchers show respondents photos, videos and audio tapes of their own shopping behavior and ask them to explicitly comment on their shopping behaviors

**2. Focus Groups**

Focus Group consist of 8-12 respondents who meet with a moderator-analyst for a group discussion focused on particular product or product category

Respondents are encouraged to discuss their interests, attitudes, reactions, motives, lifestyles, feelings about the product or product category usage experience and so forth



**LESSON 11****CUSTOMER SATISFACTION MEASUREMENT, SAMPLING,  
AND DATA ANALYSIS AND REPORTING****OBJECTIVES:****Understanding:**

- Customer Satisfaction Measurement
- Sampling
- Data Analysis & Reporting Research Findings
- Ethics in Research

Grouping levels of customer satisfaction and its measurement is critical for every company. Marketers use such data to retain customers, sell more products, and improve the value and quality of their offerings to operate more efficiently and effectively. Customer Satisfaction measurement includes qualitative and quantitative measures as well as a variety of contact methods

**A. Customer Satisfaction Measures**

Measure how satisfied customers are with relevant attributes of the product or service and the relative importance of these attributes. Generally these surveys include 5-point semantic differential scale, ranging from very satisfied to very dissatisfied. Research suggests that customers who indicate they are very satisfied (typically a score of 5 on the satisfaction scale) are much more profitable and loyal than the customers who indicate they are satisfied. Companies striving to get merely satisfied customers are making a crucial mistake

**Service Expected VS. The Service Received**

Some marketers maintain that Customer Satisfaction is a function of the difference between what they had expected to get from the product or service purchased and their perceptions of what they received.

**Adequate Service VS. Desired Service**

Measures the performance of the service received against two expectation levels:

- Adequate Service
- Desired Service

It also measures the customers' future intentions regarding purchasing the service

**Mystery Shoppers**

Professional observers who pose as customers in order to interact with and provide un-biased evaluations of the company's service personnel to identify opportunity for improving productivity and efficiency

**Complaint Analysis System**

Complaint Analysis System encourages customers to complain about an unsatisfactory product or service. Such systems provide suggestions for improvement by having the respondents complete the forms asking specific questions beyond the routine "how was everything" stuff. Sometimes Listening Posts, hotlines are established where specifically designated employees either listen to customers' comments or actively solicit input from them

**Analyzing Customer Defection**

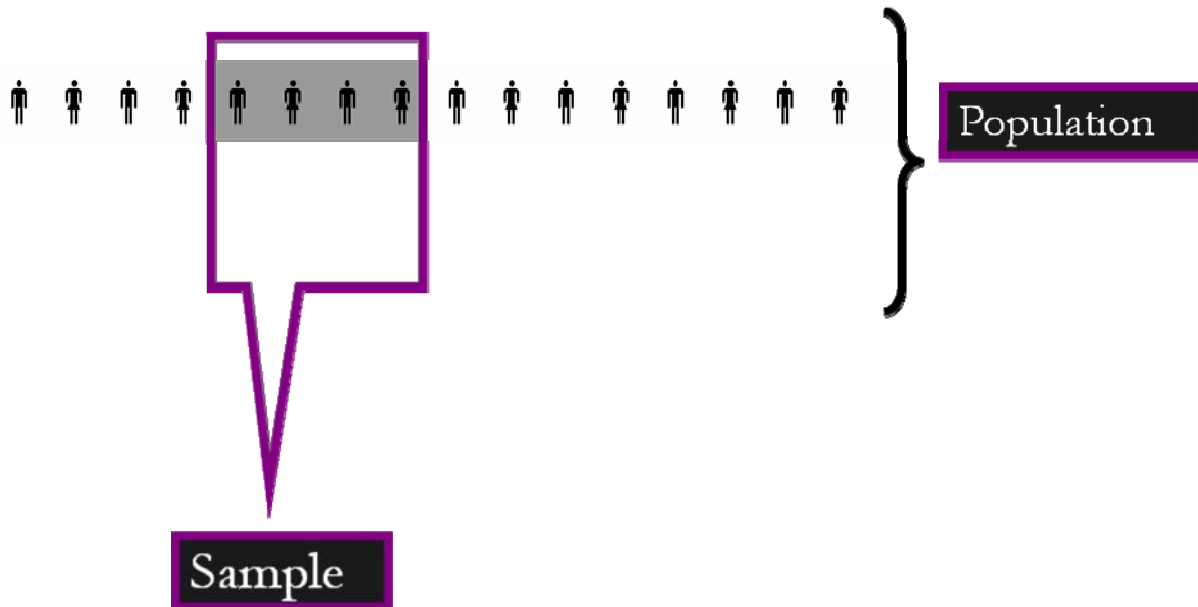
This means finding out why customers leave the company intervening when customer behavior shows that they are going to defect

**B. Population**

The group of people that a research question pertains to is typically called the **population**. In some cases, the population can be easily studied. Example: biographical studies of Pakistani presidents. In most real-world research scenarios, we cannot study the population per se. Instead, we typically study a *subset* of the population.

**Sample**

The subset of population that is studied is typically called a sample.

**Sampling Plan**

Sampling plan addresses three questions:

- Whom to survey (sampling unit)?
- How many to survey (the sample size)?
- How to select them (sampling procedures)?

**1. Whom to Survey?**

Deciding whom to survey requires explicit definition of the universe or boundaries of the market from which the data are sought so that an appropriate sample can be selected

**Example**

- Youth
- 18-24 years old
- College Going
- SEC, A, B and C

**2. How Many To Survey?**

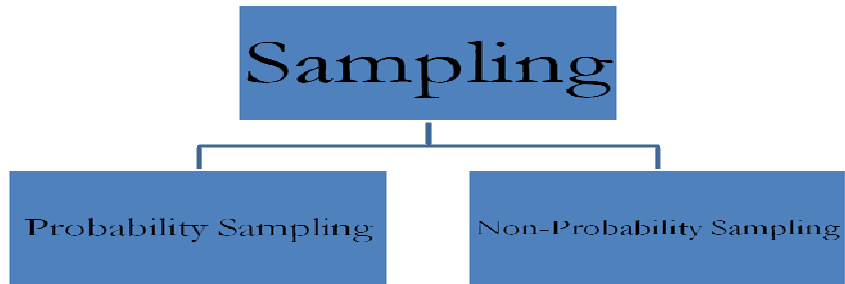
Size of the sample depends upon two main factors:

- Size of the budget
- Degree of confidence that the marketer wants to place in findings

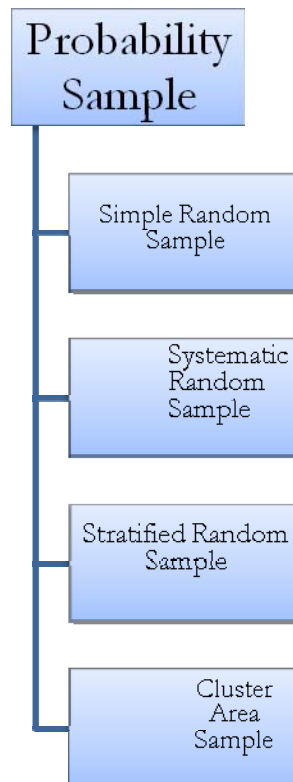
**Large Sample/Small Sample**

The larger the sample, the more likely the responses will reflect the total universe under study. A small sample can often provide highly reliable findings, depending upon the sampling procedure adopted. The exact number needed to achieve a specific level of confidence in the accuracy of findings can be computed with a mathematical formula.

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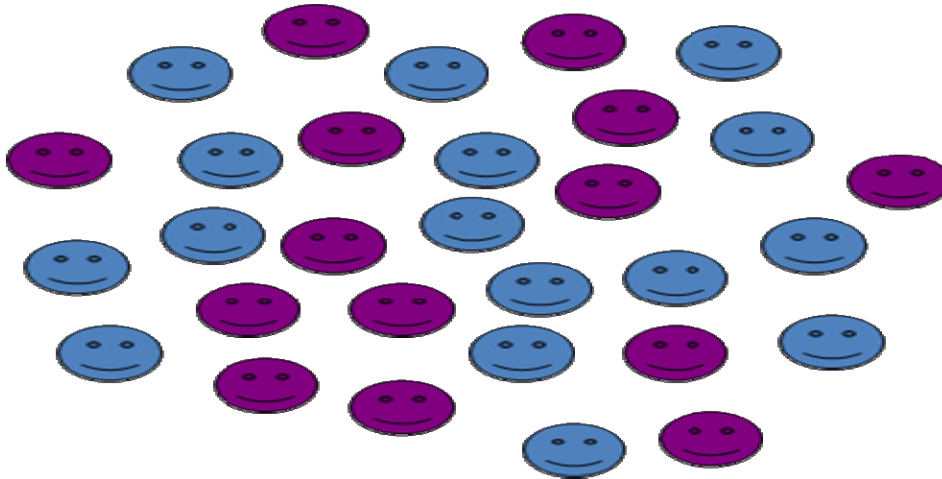
**Types of Sampling (How to select?)****1. Probability Sampling**

Respondents are selected in such a way that every member of population studied has known non-zero chance of being selected

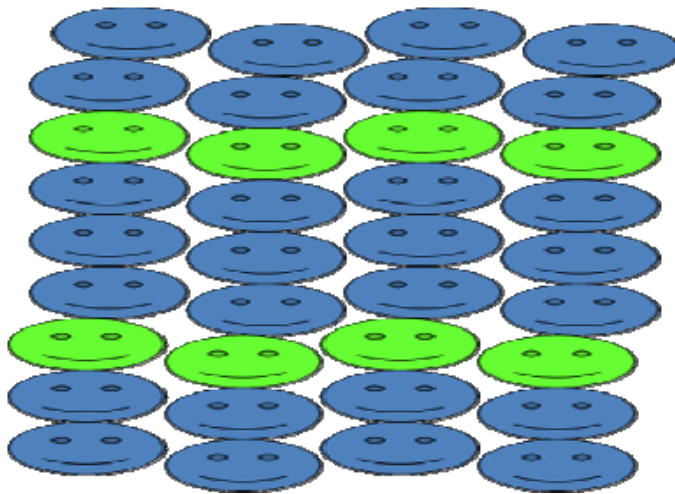


**1. Simple Random Sample**

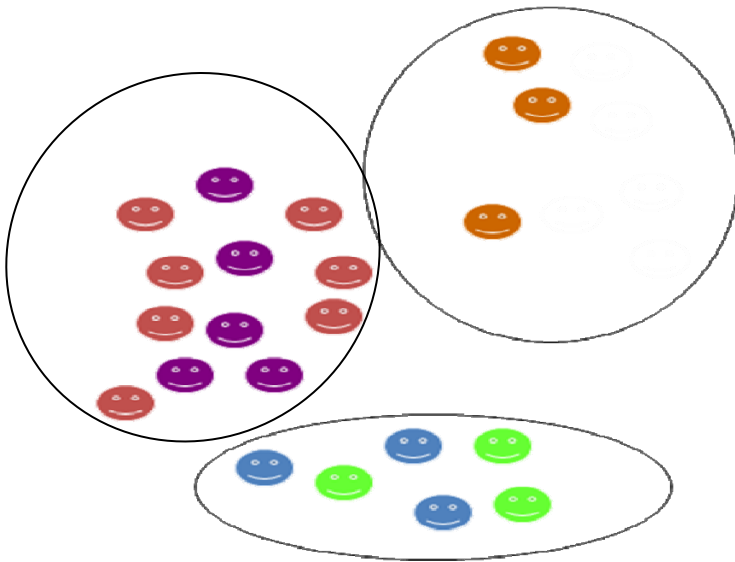
Every member of population has a known and equal chance of being selected

**2. Systematic Random Sample**

A member of population is selected at random and then every  $n$ th person is selected

**Stratified Random Sample**

The population is divided into mutually exclusive groups (such as age groups) and then random sample is drawn from each group



**3. Cluster Area Sample**

The population is divided into mutually exclusive groups (such as blocks in a geographical area) and the researcher

Cluster Sampling		
Population	Sample Method	Resulting Sample
<p>The population in groups (clusters)</p> <p>A ☺ ☹ ☺ ☺ ☺ ☺</p> <p>B ☺ ☹ ☺ ☺ ☺ ☺</p> <p>C ☺ ☹ ☺ ☺ ☺ ☺</p> <p>D ☺ ☹ ☺ ☺ ☺ ☺</p> <p>E ☺ ☹ ☺ ☺ ☺ ☺</p>	<p>Random selection of 2 clusters with random selection of members of these clusters (2-stage)</p> <p>A <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/></p> <p>X <input checked="" type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input checked="" type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/></p> <p>C <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/></p> <p>D <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/></p> <p>X <input type="checkbox"/> <input checked="" type="checkbox"/> <input type="checkbox"/> <input checked="" type="checkbox"/> <input checked="" type="checkbox"/> <input type="checkbox"/></p>	<p>☺ ☹ ☺ ☺ ☺</p> <p>Every cluster (A, B, C, D, or E) in the population has an equal chance of being selected into the sample, and every cluster member has an equal chance of being selected from that cluster</p>

draws a sample of the groups to interview

### Non-Probability Sampling

Specific elements from the population under study have been predetermined in a nonrandom fashion on the basis of the researcher's judgment or decision to select a given number of respondents from a particular group

### Types of Non-Probability Sampling

#### Convenience Sample

The researcher selects the most accessible population members from whom to obtain information (e.g. students in class room)

#### 1. Judgment Sample

The researcher uses his/her judgment to select population members who are good sources for accurate information (e.g. experts in the relevant fields of study)

#### 2. Quota Sample

The researcher interviews a prescribed number of people in each of several categories (e.g. 50 men, 50 women)

### 3. Data Analysis and Reporting Research Findings

- Field Staff in Quantitative Research
- Qualitative & Quantitative Research
- Research Report
- Ethics in Research

### Field Staff in Quantitative Research

A quantitative study generally uses field staff that is either recruited and trained directly by the researcher or contracted from a company that specializes in conducting field interviews

### Qualitative & Quantitative Research

*Qualitative Research:* The moderator or test administrator usually analyzes the responses received

*Quantitative Research:* The researcher supervises the analysis:

- Open ended responses are first coded and quantified (i.e. converted into quantified scores)
- Then all of the responses are tabulated and analyzed using sophisticated analysis programs that correlate the data by selected variables and cluster the data by selected demographic characteristics

### Research Report

In both qualitative and quantitative research, the research report includes:

- **Brief executive summary** of the findings
- May or may not include **recommendations** for marketing action
- The **body** of the report includes a full description of the methodology used
- Quantitative research report also includes tables and graphics to support findings
- A sample of questionnaire is usually included in the appendix to enable the management to evaluate the objectivity of findings

### Ethics in Consumer Research

#### 1. Consumer researchers must ensure that studies are objective and free of bias.

- An organization opposed to the president of a country may retain a research firm that will generate a national sample by asking the respondents:

*Do you believe that president should be doing a better job at running the country?*

Such a study may discover that 65% of the respondents think that president should be doing a better job.

- Another study using the national sample may ask respondents:

*Do you approve or disapprove of the way the president is doing her job?*

Such a study may also discover that 65% of the respondents think that president should be doing a better job. The second study may be more objective because the questions was not stated in a biased fashion

## 2. Consumer Researchers must not mistreat respondents

- Avoid unnecessary long interviews stemming from the logic that “as long as we are interviewing this person we may also try to find out ....
- Lengthy interviews where consumers are held on the phone for more than 30 minutes (often lied to when they ask how much longer the call is going to take)
- On mall intercepts when the subjects are told that it will only take a few minutes of their time and the interview goes on for more than 40 minutes
- Sales pitches from telemarketers disguised as research studies must be avoided

## 3. General Guidelines

- At the start of all surveys, interviewers must clearly identify themselves and the company for which they are working , explain what the survey entails and state the true expected duration of the interview
- They should reassure the respondents that there are no right or wrong answers
- If the respondents are being paid they should be notified so at the start of the interview
- Privacy of the respondents must be protected and guarded
- Some unethical consumer researchers have sold data about consumers to marketers seeking persons with specific characteristics that will be targeted as prospective buyers

### Key Terms of the Chapter

- Attitude Scales
- Complaint Analysis
- Consumer Panel
- Customer Lifetime Value Profiles
- Customer Satisfaction Measurement
- Depth Interview
- Experimentation
- Exploratory Study
- Focus Groups
- Interpretivism
- Mail Surveys
- Mechanical Observation
- Motivational Research
- Mystery Shoppers
- Non-Probability Samples
- Observational Research
- Online Surveys
- Personal Interview Survey
- Physiological Observation
- Positivism
- Primary Data
- Probability Sample
- Projective Techniques
- Qualitative Research
- Reliability

- Research Objectives
- Secondary Data (Internal & External)
- Test Marketing
- Validity



**LESSON 12:****MARKET SEGMENTATION AND ITS BASES****OBJECTIVES:****UNDERSTANDING:**

- Be able to define market segmentation
- Learning who uses market segmentation and how market segmentation operates
- Understanding :
  - Geographic Segmentation

**What is Market?**

Market consists of:

**P E O P L E**

BUT - not just ANY people, they have to have:

- Willingness to buy
- Purchasing power (money)
- Authority to buy

**1. Market Segmentation**

The process of dividing market into distinct subsets of consumers with common needs or characteristics is called Market Segmentation. The concept of segmentation goes hands in hands with the concept of diversity. Diversity compliments Segmentation

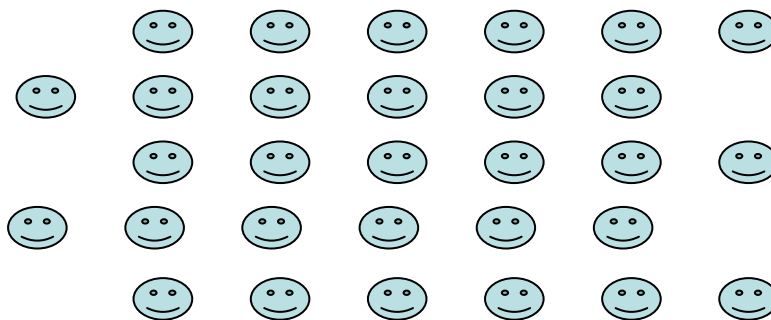
But why do we need to segment people in groups?

If all consumers were alike with same needs, wants and desires and the same background education and experience the mass marketing be a logical strategy.

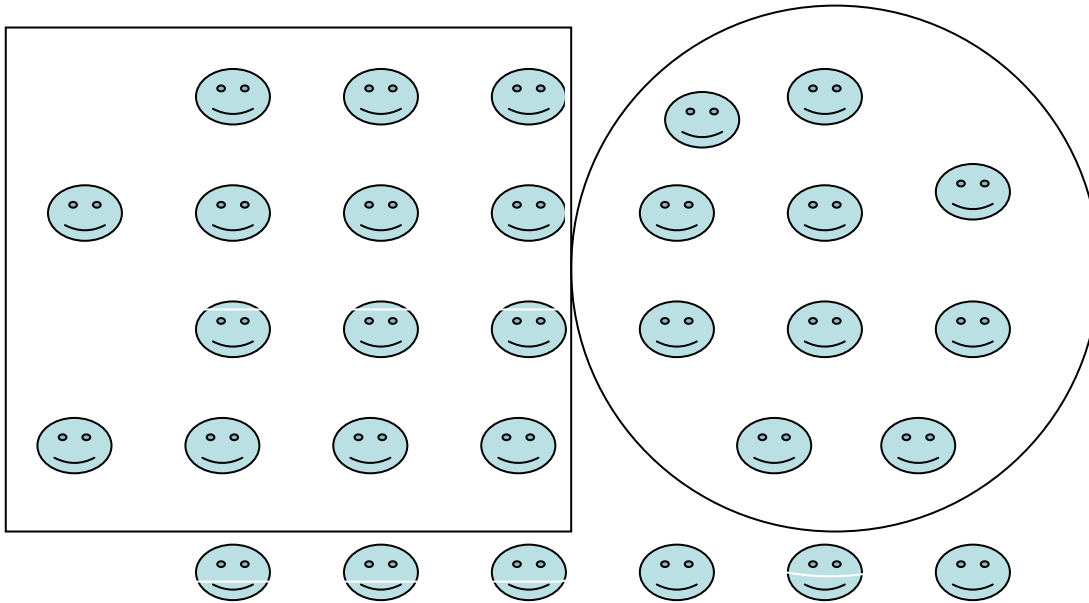
Undifferentiated Marketing,

Offering the same product and marketing mix to all consumers. When trying to sell the same product to every prospect with a single advertising campaign, the marketer must portray its product as a means of satisfying a common or generic need and therefore, ends up in appealing to no one

How Market Looks Before Segmentation



### How Market Looks After Segmentation



#### Quantitative Research Designs & Data Collection Instruments

Segmentation benefits both marketers and the consumers. Marketers in all organizations/institutions and industries practice segmentation strategies. This may include consumer goods industries, hotels, development sector, etc.

#### How Market Segments Operates

##### 1. Fill the gaps in the marketplace

Many new products have been registered to fill the gaps in the marketplace revealed by the segmentation studies

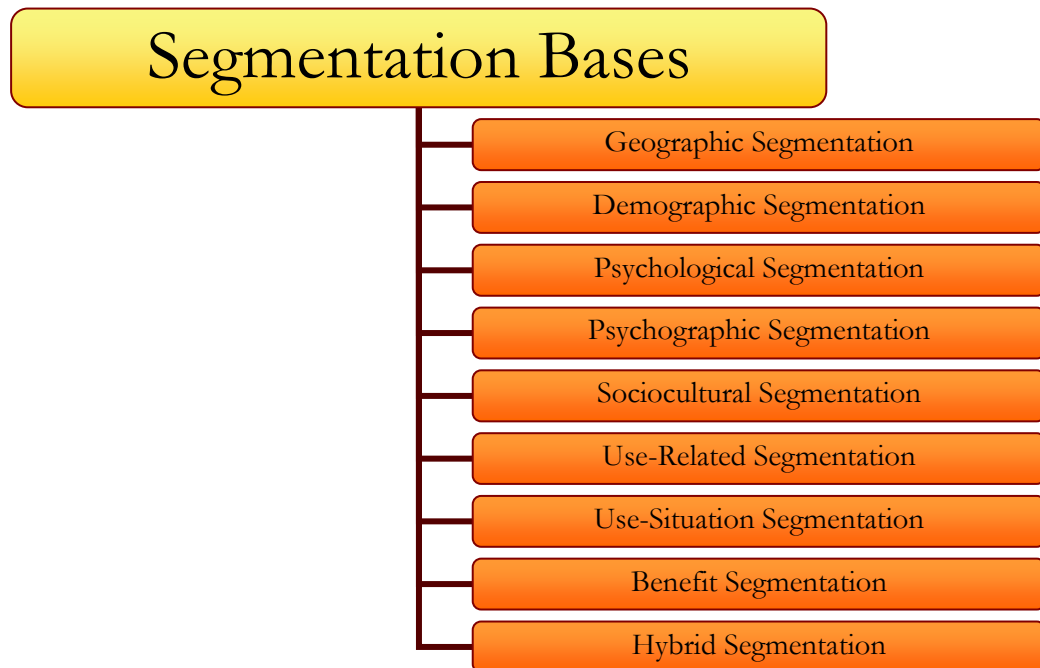
##### 2. To identify the most Appropriate Media

Segmentation studies are used to identify the most appropriate media in which to place the advertisements. All media vehicles from TV and Radio Stations to Newspapers and magazines use segmentation research to determine the characteristics of their audience and to publicize their findings in order to attract advertisers. In cases if the segments of customers are large enough and can attract enough advertising the media spins off separate programs or publications targeted to the specific segments

#### Bases for Segmentation

The first step in developing the segmentation strategy is select most appropriate base(s) on which to segment the market

## Nine Bases for Segmentation



### 1. Geographical Segmentation

In Geographical Segmentation, the market is divided by location. The theory behind the strategy is that people who live in the same area share similar needs and wants which differ from needs and wants of people living in other areas. Variables included in the geographical segmentation are:

- Region
- City Size
- Density of Area
- Climate

### Global Marketing Strategy

Some marketers believe that the internet has erased all regional boundaries and clearly, any company that decides to put its catalog on the internet makes it easy for the individuals all over the world to browse and become customers.

### Divergent Consumer Patterns

Marketers have observed divergent consumer patterns among urban, suburban and rural areas

#### Urban Areas

- Population in Pakistan is focused in the urban areas
- Every year there is a greater influx of population that permanently migrates to bigger cities or the nearby urban areas

#### Small Towns and Villages

- People in small towns when they have to purchase their electronic items, electrical appliances, furniture and other technical equipment they do it from the urban areas
- The markets in the rural areas merely include raw food items and local cultural products, local fruits and crops, etc.

### Benefits of Geographical Segmentation

It is relatively easy to find geographically based differences for many products. Geographic Segments can be easily reached through local media

**LESSON 13**

**BASES FOR SEGMENTATION:  
DEMOGRAPHIC SEGMENTATION  
PSYCHOGRAPHIC SEGMENTATION**

**OBJECTIVES:****UNDERSTANDING**

- Demographic Segmentation
  - Age
    - Age Effect
    - Cohort Effect
  - Gender
    - Changing Sex Roles
  - Marital Status
    - Stages of Family
    - Family Life Cycle
    - Income
  - Education, Age, Income
- Psychographic Segmentation

Market consists of people, People – who are inhabitants of a certain place (e.g. city, province or country), are called population. Population can be seen in terms of many of its characteristics  
Demographics is a way to describe population in terms of its defining characteristics

**1. Demographic Segmentation**

Includes vital and measurable statistics of a population, demographic characteristics such as age, sex, marital status, income, occupation and education are most often used as the basis for market segmentation

Demographics help locate a target market. Psychological and Sociocultural characteristics help to describe how its members think and how they feel

**Variables of Demographic Segmentation**

Demographic Segmentation is usually based upon the following variables:

- age
- gender (male/female)
- income
- occupation
- education
- household (family - style) size

**1. Age**

Age is an obvious way to divide the market into segments since so many products are based upon “time of life”

- a. Diapers are for babies
- b. Toys are for children
- c. Entertainment for “over 19”

Two kinds of effects are important to notice while considering the age factor in segmentation. These include:

- a. Age Effect
- b. Cohort Effect

**a. Age Effect**

Age effect includes occurrences due to chronological age. Examples of the age effect are heightened interest in leisure travel that often occurs for people (single, ,married) during the middle age (particularly in their late fifties or early sixties)

**a. Cohort Effect**

Occurrences due to growing up in certain time periods are called the Cohort Effect. This is captured by the idea that people hold onto interests they grow up to appreciate.

**2. Gender**

Gender is an obvious way to divide the market into segments since so many products are gender-specific

- Cosmetics Industry
- Clothing
- Medical products
- Sports products/services
- Entertainment

Men on the other hand have been the users of

**2. Psychographic Segmentation**

Psychographic Segmentation is lifestyle, social class, and personality-based segmentation.. Psychographic profile of a consumer is composite of:

- Attitudes
- Interest
- Opinions

This is commonly referred to as (AIO's)

**AIO Research**

AIO research seeks consumer responses to a large number of statements that measures:

- Activities  
How the consumer or family spends time (Pakistani consumer & family)
- Interests  
Consumers' family preferences and priorities (Home, fashion, food)
- Opinions  
How the consumers feel about a wide variety of events and political issues, social issues, and state of economy

**AIO Psychographic Inventories**

AIO Psychographic Studies use Psychographic Inventory which is designed to identify relevant aspects of consumers' personality, buying motives, interests, attitudes, beliefs and values

Example

Portion of AIO Inventory used to identify “Techno Road Warriors”

Techno Warriors: business people who spend a high percentage of their work week on the road, equipped with laptops, cellular phones, electronic organizers

Psychographic Inventory

Please read each of the following statements and place an “X” in the box that best indicates how strongly you “agree” or “disagree” with the statement

Hypothetical Profile of the “Techno Road Warrior”

STATEMENTS	A							D
	1	2	3	4	5	6	7	
I feel that my life is moving faster and faster sometimes just too fast	1	2	3	4	5	6	7	
I could count the pluses and minuses technology has been good for me	1	2	3	4	5	6	7	
I find that I have to pull myself away from e-mail	1	2	3	4	5	6	7	
Given my lifestyle, I have more shortage of time than money	1	2	3	4	5	6	7	
I like the benefits of the internet, but I often don't have the time to take advantage of them	1	2	3	4	5	6	7	
I am generally open to considering new practices and new technology	1	2	3	4	5	6	7	

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ernet more than six times a week

- Sends and/or receives 15 or more e-mail messages/week
- Regularly visits websites to gather information and/or to comparison shop
- Often buys personal items via internet
- Belongs to several reward programs (frequent flyer programs, rent-a-car programs and hotel programs)

Results of Psychographic Studies are frequently reflected in firm's marketing messages

**LESSON 14**

**BASES FOR SEGMENTATION:  
SOCIOCULTURAL SEGMENTATION  
USE RELATED SEGMENTATION  
USAGE SITUATION SEGMENTATION**

**1. Sociocultural Segmentation**

Sociocultural segmentation combines social (related to groups) and cultural variables (related to the shared values, beliefs, attitudes of people) that provide further basis for segmentation

**Groups**

Group may be defined as two or more people who interact with each other to accomplish either individual or mutual goals e.g.

- Intimate group of two neighbors
- The local cricket club
- The doctors in a hospital
- Colleagues in an office, etc.

Variables of Socioeconomic Segmentation

- Family Lifecycle
- Social Class
- Core Cultural Values
- Sub-cultural Memberships
- Cross-cultural Affiliation

**4. Family Lifecycle**

Many families pass through similar phases in their formation, growth and final dissolution. At each stage the family unit needs different products and services

Family Lifecycle – A composite Variable

Family Life Cycle is a composite variable. It is explicitly based upon marital and family status and implicitly reflects relative age, income and employment status. For example young single people need relatively basic furniture. Their parents finally free of child rearing often re-furnish their homes with more elaborate pieces. In Pakistan, however, the family unit is still very strong. The parent children bond hardly weakens throughout the life. Senior parents now have their sons in laws and daughters in laws to take care of. There are various rituals and norms of the family that they have to fulfill with regards to their daughters in laws, sons in laws as well as grand their grand children. Senior parents after many years of professional experience usually have greater buying power as well. They have to do a lot of shopping for the rituals and norms.

Each stage in the traditional family life cycle represents an important segment for the marketers. Financial services industry frequently segments customers in terms of family life cycle stages as the required financial services tend to shift as they pass through different stages of life.

**Stages in the Family Lifecycle**

Stages in the Family Lifecycle include:

- Bachelorhood (what do they buy...)
- Newly Married Couples (what do they buy...)
- Parenthood and (what do they buy...)
- Post parenthood (what do they buy...)
- Dissolution

**2. Social Class**

What is social class? We frequently hear direct or indirect references to social class, like,

This place is not my class, this item is not my class, In my family we don't go for the jobs, we have lands or we have business to take care of, etc...

Social Class is a hierarchy in which the individuals in the same class generally have the same degree or status whereas the members of other classes have a higher or lower status.

#### Social Class as Basis for Segmentation

Social Class can be used as a basis for segmentation. Consumers on different social classes vary in terms of values, product preferences and buying habits.

Marketers may offer products to the consumers that correspond to their wealth status. Shopkeepers, while bargaining, tend to hint upon a person's relative social class to increase the chances of purchase. They do so while saying

“Oo Baji yeh khas kapra aap ki class kay liyay hi hay, yeh aap kp bauhat suit karay ga, agar nahin to chlain aap yeh lay lein”

“Sastay kapray ki dookanein aap ko bauhat mil jaien gi, yahan par to quality ka maal milta hai aur is kay liyay aap ko kuch ziyada daina paray ga” Zara logon ko pata to chalay key app ka kya andaaz hai

Investment companies appeal to upper classes by offering them investment opportunities corresponding to their wealthy status. In contrast a financial program targeted to lower socio-economic class might talk about savings account or certificates of deposit.

#### Measurement Social Class

Social Class is measured a weighted index of demographic variables such as Education, Occupation and Income.

### 3. Culture and Subcultural Memberships

This approach corresponds to dividing consumers on the basis of cultural heritage. Members of the same culture tend to have same values, beliefs and customs.

#### Culture

Culture refers to relatively specialized lifestyle of a group consisting of their beliefs, values, artifacts, ways of behaving, ways of communicating – that is passed on from one generation to the next.

Included in the culture will be all that members of a culture have produced and developed, their language, modes of thinking, art, laws and religion.

For example the Pakistani Marriage includes elaborate set of rituals and norms, norms on the boy's family side, norms on the girls' family side. A marriage may be broken down into following constituents

**Match making:** Vast Industry of match makers consisting of many different types. Now internet and other electronic media play a significant role in match making)

Engagement: Industry of the engagement planners, private players, hotels, marriage halls

Marriage: Barri on the boys' side (Specialized Barri Packages), Dowry on the girls side (Specialized Dowry Packages),

Marriage functions: Mehndi, Barrat, Walima

#### Subcultural Memberships

Within the larger culture distinct sub-groups (subcultures) often are united by certain experiences, values or beliefs that make a significant market segment. These groupings may be based upon specific demographic characteristics (race, religion, ethnicity, or age) or lifestyle characteristics (teachers, joggers)

Now as the world has grown smaller and smaller a true global marketplace has developed, which calls for the need of Cross-cultural and Global Market Segmentation.



For example, a young man while preparing for his exam at home may be:

- Drinking a CSD that originated from America
- Wearing a trouser of an international brand that comes from Dominican Republic
- Wearing a watch that came from Japan
- Wearing shoes that came from China
- Some global market segments such as teenagers appear to want the same types of products regardless of which nation they call home

Similarly, an international brand of sneakers used the same global advertising campaign in 140 countries to launch a line of sneakers

**2. Use- Related Segmentation**

Categorizing consumers in terms of product, service, or brand usage characteristics is included into Use Related Segmentation. The variables usually include:

- Levels of usage
- Level of awareness
- Brand loyalty

**Rate of Usage Segmentation**

Rate of Usage Segmentation means differentiating according to the rate of usage. The variables may include:

- Heavy Users
- Medium Users
- Light Users
- Nonusers

**Organizing Customers into Action Oriented Frameworks**

A segmentation strategy is especially suitable for marketers seeking to organize their database into an action-oriented framework. The framework proposes a way to identify a firm's best customers by dividing them into following categories:

Segment Name	Segment Characteristic	Company Action
Lo Lows	Low current share, low consumption patterns	Starve
Hi Lows	High current share, low consumption customers	Tickle
Low Highs	Low current share, high consumption customers	Chase
Hi Highs	High current share, high consumption customers	Stroke

**Targeting Heavy Users**

Research has consistently indicated that 25-35% of the consumers account for 70-80% of all consumption. For the very reason most marketers target their advertising campaigns to heavy users than spend considerably more money to attract the light users

**Targeting Low Users**

Marketers take note of the gaps in the market coverage for light and medium users and target them profitably

**Segmentation @Awareness Status**

Consumers may be segmented on the basis of awareness level. Aspects of awareness are:

- Consumer awareness of the product
- Interest level in the product
- Readiness to buy the product

**Brand Loyalty as a Basis for Segmentation**

Marketers often try to identify the characteristics of their brand loyal customers so that they can direct their promotional efforts to people with similar characteristics. Other marketers target consumers who show no brand loyalty in the belief that such people represent greater market potential than consumers who are loyal to competing brands. Marketers stimulate and reward brand loyalty by offering special benefits to consistent and frequent consumers

**3. Usage-Situation Segmentation**

Occasion or situation often determines what consumers will purchase or consume. They sometimes focus on the usage situation as a segmentation variable. For example:

- Whenever our son Ali gets a promotion or raise we always take him out to dinner
- When I am away on business for a week or more, I try to stay at a suites hotel
- Every Sunday when we go to the market for grocery we have our lunch at the Baryani House

**Products for Special Usage Occasions**

The greeting card industry, e.g. stresses special cards for a variety of occasions, e.g. Grandparents day, Secretaries Day, etc...

**LESSON 15****BASES FOR SEGMENTATION:  
BENEFIT SEGMENTATION****1. Benefit Segmentation**

Marketers and Advertising Executives constantly try to identify one most important benefit of their product. e.g.

- Zaikay ka Naya Andaaz
- Dimaagh ki batti ko ropshan kar day

A segmentation study identifying what drives consumers' preferences identified the five strategic brand benefits:

- Functional (quality)
- Value for money
- Social Benefit
- Positive Emotional Benefit
- Negative Emotional Benefit (Cigarettes)

**1. Functional Benefit (Quality)**

Consumers often judge the quality of a product or service on the basis of a variety of informational cues that they associate with the product.

These cues may be:

1. Intrinsic Cues
2. Extrinsic Cues

**1. Intrinsic Cues**

Cues that are intrinsic concern the physical features of a product itself, such as size, color, flavor or aroma. In some cases consumers use physical characteristics (e.g. the flavor of ice-cream or cake) to judge product quality

Consumers like to believe that they base their evaluations of product quality on intrinsic cues because that enables them to justify their product decisions as being rational or objective product choices

**2. Extrinsic Cues**

Evaluating the product on the basis of cues that are outside the product itself. Extrinsic cues may include: packaging, pricing, advertising, peer pressure, brand image, manufacturer's image, retail store image or even country of origin. For Example: Most Cola drinkers can't differentiate between the tastes of different Colas. They base their preferences on external cues

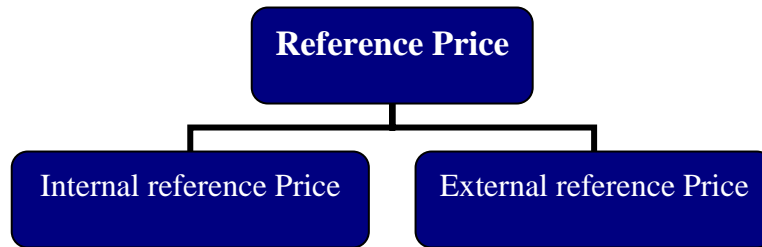
**2. Value for Money**

Value of Money is related with the price of the product. How consumers perceive price as high, low or fair?

**Consumers' Perception of Price**

Consumers pay attention to prices paid by others. No one is happy knowing that S/he paid the price twice as much for an airline ticket than the next person. Price unfairness affects consumer's perception of product value and ultimately the willingness to buy.

Two types of reference prices are important to understand the consumers' perception of price



### Reference Price

Any price that consumer uses as a basis for comparison in judging other prices

#### Internal reference Price

Prices (or price ranges) retrieved by the consumers from the memory

#### External reference Price

External Reference Price is in reference to prices elsewhere.

### 3. Social Benefit

Some researchers associate social benefit with the concept of social class. Social class is often measured in terms of social status. Status is frequently thought of as relative ranking of members of each social class in terms of specific status factors

#### Social Comparison Theory

Individuals quite normally compare their own material possessions with material possessions owned by others in order to determine their relative social standing. In a marketing society status is often associated with consumers' purchasing power. Individuals with greater purchasing power or greater ability to make purchases have greater status. Downward Comparison: comparing with someone worse off. Upward Comparison: comparing with someone better off

### 4. Positive and Negative Emotional Benefit

#### Positive Emotional Benefit

Needs, desires or wants may lead to goals that are positive or negative. A positive goal is one towards which the behavior is directed. This is often called the approach object. A middle aged woman with a positive goal of fitness may join a health club to work out regularly

#### Negative Emotional Benefit

A negative emotional benefit is one from which behavior is directed away and is thus referred to as an avoidance object. A husband who views getting fat as a negative objective may join health club to guide his exercise

## 2. Changing Lifestyles

Also play an important role in determining the product benefits that are important to consumers and provide marketers with new opportunities for new products and services. The microwave Oven served a perfect solution to the needs of dual income homes, where both husband and wife do the jobs that leaves them with little time to do their cooking.

## 3. Various Brands within One Product Category

Benefit segment may be used to position various brands within the same product category. The classic case of successful benefit segmentation is tooth paste:

- 
- If the consumers are socially active they want a toothpaste that can deliver cleaner teeth and fresh breath
  - If they smoke they want a toothpaste that fights stains
  - If disease prevention is their major focus they want a tooth paste that will fight germs
  - If they have children they want a toothpaste that will lower their dental bills

**LESSON 16****BASES FOR SEGMENTATION:  
HYBRID SEGMENTATION STRATEGIES****2. Hybrid Segmentation Approaches**

Marketers often segment markets by combining several segmentation variables rather than relying on one. Three hybrid segmentations are most popular in this regard:

Psychographic-Demographic Profiles Geodemographic Profiles, VALS, and Yanklovich's mind base segmentation

**1. Psychographic, Lifestyle and Demographic Profile**

Psychographic (lifestyles) and demographic profiles are highly complimentary, combining the two marketers are provided with powerful information about their target markets

While designing the Psychographic, Lifestyle and Demographic Profile, marketers must answer the three important questions, that include:

1. Whom should we target?
2. What should we say?
3. Where should we say it?

To help advertisers answer the third question many advertising media vehicles sponsor life-style research on which to base very detailed audience profiles

**Example A Popular US Magazine**

For a popular US Magazine a professional audience research firm conducted a research study to identify demographic and psychographic lifestyle profiles of the magazine readers. The collected profiles looked something like:

**Demographic Profile**

<b>Total Readers</b>	5,227,000
<b>Gender</b>	
Men	66%
Women	34%
<b>Age</b>	
18-49	62%
25-54	65%
55+	27%
Average Age	45
<b>Education</b>	
Attended College or beyond	77%
College graduate or beyond	55%
<b>Occupation</b>	
Professional Managerial	34%
Top/Middle Manager	33%
Employed	80%
<b>Income (Annual)(\$)</b>	75%
50,000 or more	66%
60,000 Or more	50%

75,000 or more	31%
<b><i>Selected Lifestyle Profile (Leisure Activities)</i></b>	
Attended movies in the last six months	73%
Bought music CD's/tapes in the last 12 months	46%
Attended live music performance in the last 12 months	29%
Book reading	45%
Entertained friends or relatives in the last 12 months	48%
Household subscribes to cable	69%

## 2. Geo-Demographic Segmentation

### ***Basic Notion***

People who live close to one another are likely to have similar financial means, tastes, preferences, lifestyles and consumption habits.

### ***Process***

Computer software are used to cluster the population into lifestyle groupings based on postal or zip codes. Clusters are created based upon consumer lifestyles. Specific cluster includes zip codes that are composed of people with similar lifestyle scattered throughout the country

### ***Using Cluster Data***

Marketers use cluster data for:

- Direct mail campaigns
- Select retail sites
- Design marketing strategies for specific market segments

## 3. Criteria for Effective Targeting of Market Segments

To be an effective target market a segment should be:

- Identifiable
- Sufficient (in terms of size)
- Stable or growing
- Accessible in terms of both media and cost

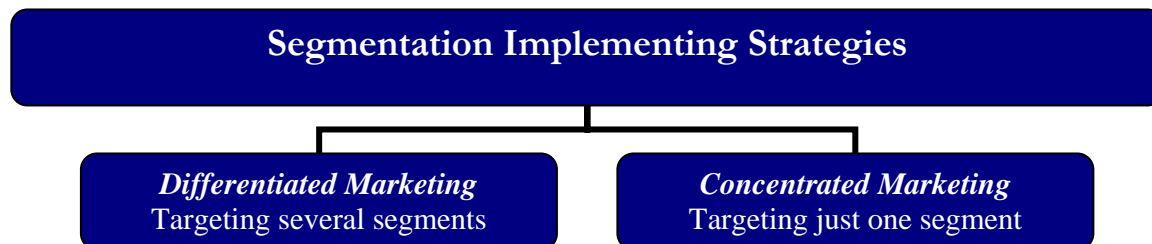
To divide the market into separate segments on the basis of *common or shared* needs or characteristics that are relevant to the product or service, a marketer must be able to identify the relevant characteristics. Variables such as Geography (location) and Demography (age, gender, occupation, race) are easy to identify. Education, income and marital status can be known through questionnaires. Other characteristics such as *benefits sought* and *lifestyles* are more difficult to identify

Most marketers prefer to target segments that are relatively stable in terms of demographic and psychological factors and are likely to grow larger over time. Teenagers are sizable and easily identifiable market, eager to buy, able to spend and easily reachable, yet when a marketer produces merchandise for a popular teenage fad, interest in it may have waned

#### 4. Implementing Segmentation Strategies

Once an organization has identified its most promising segments it must decide whether to target one segment or several segments.

Each targeted segment receives a specially designed marketing mix i.e. a specially tailored product, price, distribution network and/or promotional campaign



**Differentiated Marketing** is highly appropriate for:

- Financially strong companies
- Well established in a product category
- Competitive with other firms that are also strong in the category (soft drinks, automobiles or detergents)

**Concentrated Marketing** is an appropriate strategy when:

- A company is small or new to the field
- A company can survive and prosper by filling a niche not occupied by stronger companies
- Gum disease fighting toothpastes

#### 4. Countersegmentation

Some segments concentrate over time to a point where they don't warrant an individually designed marketing program

In Countersegmentation a company seeks more generic needs or consumer characteristics that would apply to the members of two or more segments into a larger single segment that could be targeted with individually tailored product or promotional campaign

##### Example

Some business schools with wide course offerings in each department were forced to use Countersegmentation strategy when they discovered that students simply did not have enough available credits to take a full spectrum of in depth courses in their major areas of studies. They had to use Countersegmentation, e.g. by combining advertising, publicity, sales promotion and selling course into a single course called promotion

#### Key Terms of Chapter 3

AIO's (activities, interests, opinions)	Market Segmentation
Benefit Segmentation	Positioning
Concentrated Marketing	Psychographic Inventory
Countersegmentation	Psychographic Segmentation
Demographic Characteristics	Sociocultural Variables
Demographic Segmentation	Use related segmentation



---

Differentiated Marketing	Usage situation
Geographic Segmentation	Hybrid Segmentation
Mass Marketing	

**LESSON 17**

**MARKET SEGMENTATION**  
**IMPLEMENTING SEGMENTATION STRATEGIES**  
**ENVIRONMENTAL INFLUENCES**  
**CULTURE**

**1. Criteria for Effective Targeting of Market Segments**

To be an effective target market a segment should be:

- Identifiable
- Sufficient (in terms of size)
- Stable or growing
- Accessible in terms of both media and cost

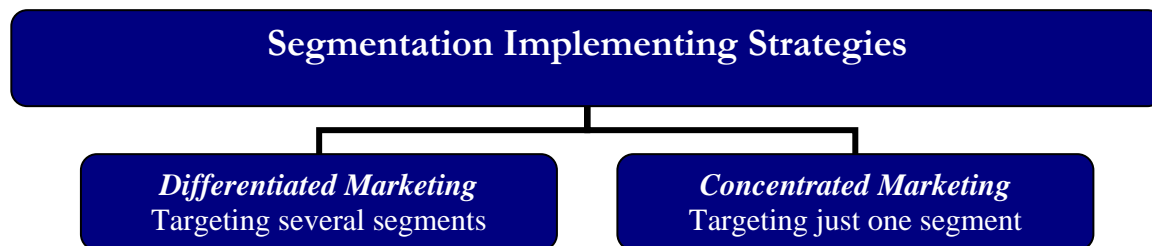
To divide the market into separate segments on the basis of *common or shared* needs or characteristics that are relevant to the product or service, a marketer must be able to identify the relevant characteristics. Variables such as Geography (location) and Demography (age, gender, occupation, race) are easy to identify. Education, income and marital status can be known through questionnaires. Other characteristics such as *benefits sought* and *lifestyles* are more difficult to identify

Most marketers prefer to target segments that are relatively stable in terms of demographic and psychological factors and are likely to grow larger over time. Teenagers are sizable and easily identifiable market, eager to buy, able to spend and easily reachable, yet when a marketer produces merchandise for a popular teenage fad, interest in it may have waned

**2. Implementing Segmentation Strategies**

Once an organization has identified its most promising segments it must decide whether to target one segment or several segments.

Each targeted segment receives a specially designed marketing mix i.e. a specially tailored product, price, distribution network and/or promotional campaign



**Differentiated Marketing** is highly appropriate for:

- Financially strong companies
- Well established in a product category
- Competitive with other firms that are also strong in the category (soft drinks, automobiles or detergents)

**Concentrated Marketing** is an appropriate strategy when:

- A company is small or new to the field
- A company can survive and prosper by filling a niche not occupied by stronger companies
- Gum disease fighting toothpastes

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Mass Marketing	

### Environmental Influences

#### Contents:

#### Culture

- What is Culture
- How Culture is Learnt
- Enculturation and Acculturation
- Language and Symbols
- Rituals
- Dynamic Culture
- Measurement of Culture
- Subculture
- Nationality subculture
- Age subculture
- Sex as subculture

#### Social Class

- What is Social Class
- Measurement of Social Class
- The Affluent Consumer
- Middle Class Consumers

- Working Class and other non-Affluent Consumers

### Social Groups

- Consumer Related Reference Groups
- Groups
- Family

### The study of culture

The study of culture is a challenging undertaking because its primary focus is the broadest component of social behavior – *an entire society*

### The Influence of Culture on Consumer Behavior

Culture is broad and pervasive and given its very nature It generally requires detailed examination of the character of the total society. This includes factors that give a society its distinct flavor such as:

- Language
- Knowledge
- Laws religions
- Foods
- Customs
- Music
- Art
- Technology
- Work patterns
- Products
- Artifacts

Culture is a society's personality

### Beliefs and Values

Beliefs and values component of our definition refers to accumulated feelings and priorities that individuals have about "things" and possessions

#### *The Belief Component*

Beliefs consist of a very large number of verbal and mental statements. Beliefs reflect a person's particular:

- Knowledge or
- Assessment of something
- another person (people who come from the mountains are tough )
- A store (A certain chain of store)
- A product (a certain product, having a car is the sign of affluence)
- A brand (A certain brand is much better than the other)

#### *The Values Component*

Values are also beliefs. Values meet the following criteria:

- Relatively few in number
- Serve as guide for culturally appropriate behavior
- Enduring and difficult to change
- Not tied to specific objects or situations
- Widely accepted by the members of society

#### *The Customs Component*

Overt modes of behavior that constitute culturally approved or acceptable ways of behaving in specific situations. Customs consist of everyday routine behavior of the consumer

- Diet sweetener for coffee
- Putting ketchup in a burger

- 
- Eating sweet after the main course

Where beliefs and Values are guides for behavior, customs are usual and acceptable ways of behaving

**Broad Sense**

Values and beliefs are mental images *that affect a wide range of specific attitudes* that in turn influence the *way a person is likely to respond in a specific situation*

example: the criteria a person uses to evaluate alternative brands in a particular product category:

- Preference for one of these brands influenced by both a person's **general values** (what constitutes quality, the meaning of a country of origin)
- **Specific beliefs** – perceptions about the quality of Chinese made products and the quality of American products.

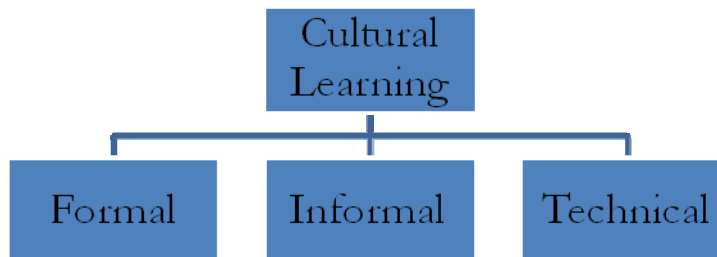
**LESSON 18****HOW CULTURE IS LEARNT  
ENVIRONMENTAL INFLUENCES****Understanding**

- How Culture is learnt
- Three forms of Culture Learning
  - Formal
  - Informal
  - Technical
- Advertising & Culture learning
  - Enhancing Informal Culture Learning
  - Repetition in Advertising
  - Movement of Cultural meaning to consumer goods
- Enculturation & Acculturation
- Language & Symbols
- Rituals

Unlike innate biological characteristics (e.g. gender, skin, hair color, intelligence) culture is learned. At an early age we begin to acquire from our social environment a set of beliefs, values and customs that make up our culture.

**1. Three Forms of Cultural Learning**

Psychologists and anthropologists have identified three distinct forms of cultural learning.

**A. Formal Learning**

Adults and older siblings of the family teach a young member how to behave:

- Please shake hands with uncle
- Say hi to aunty
- Wash your hands before eating
- Take small bites

**B. Informal Learning**

A child learns primarily by imitating the behavior of selected others, such as family, friends and TV heroes.

**C. Technical Learning**

Teachers instruct the child in an educational environment about what should be done, how it should be done and why it should be done e.g.:

- Do your homework every day to learn the course or you will fail
- Work hard
- Pay attention
- Control yourself, focus
- Learn discipline

**2. Advertising and Cultural Learning**

Advertising can impact all three ways of cultural learning.

### **Enhancing informal cultural learning**

Many product advertisements enhance informal cultural learning by providing the audience with a model of behavior to imitate. This is especially true for visible or conspicuous products that are evaluated in public settings e.g. designers clothing

### **Repetition in Advertising**

Repetition creates and reinforces cultural beliefs and values. Many advertisers continually stress the same selected benefits of their products. Certain product advertisements may reinforce the benefits that consumers want from the product. They also teach the consumers to expect the same benefits from the product category.

### **Movement of cultural meaning to consumer goods**

Cultural meaning moves from culturally constituted world to consumer goods to the end consumer through various consumption related vehicles. For example:

How T-Shirts can identify cultural meaning and identity for the wearers

- T-Shirts as trophies (as proof of participating in sports)
- Self proclaimed labels of belonging to a cultural category
- T-Shirts can also be used as a means of self expression
- A New York T-Shirt would be worn by a person who has been to NY, consumers can buy such a T-Shirt from a local retailer and create the impression that they have been to NY or else they can show their affinity for the NY

## **3. Enculturation and Acculturation**

### **Enculturation**

Learning of one's own culture is called Enculturation. The process of enculturation may be utilized to position the products.

### **Acculturation**

The learning of new or foreign culture is called Acculturation. Too many marketers contemplating international expansion make the strategic error of believing that if their products are liked by the local consumers then every one will like them. To overcome such a narrow view marketers must go through an acculturation process. They must learn everything that is relevant about the usage or potential usage of their products and product categories in the foreign countries in which they plan to operate

## **4. Language and Symbols**

To acquire a common culture the members of a society must be able to communicate with each other through a common language.

### **1. Language & Symbols**

A symbol is anything that stands for something else. Any word is a symbol. Marketers must use appropriate symbols to convey desired product images and/or characteristics. Symbols can be verbal or non-verbal. Verbal symbols may include a TV announcement or an advertisement in the magazine. Non-Verbal communication involves the use of such symbols as figures, colors, shapes and even textures. Human mind can process symbols. It is possible for a person to experience cognitively a visualization for a product for example the advertisement of Skin moisturizing gel may use the images of two landscapes, one of a dry desert without the gel and the other of rich green landscape with gel

### **Contradictory Meanings of Symbols**

Trademark depicting an old craftsman may depict careful craftsmanship. It may also show an image of outdated methods and lack of style

### **Using the Slang Language**

An advertiser using slang in the advertisements to attract teenage audience must do so with great care. Slang that is misused or outdated will symbolically date the marketer's firm and product

**Price and Channels of Distribution as Symbols**

Price often implies quality to potential buyers. Type of store is an important symbol of quality. Its promotion, price and the stores at which the product is available are symbols that communicate ranges of quality to potential buyers.

**2. Rituals**

Ritual is a type of symbolic activity consisting of a series of steps (multiple behaviors) occurring in fixed sequence and repeated over time

**Ritualized Behavior**

In addition to language and symbols culture includes ritualized experiences and behaviors.

Rituals extend over the human life cycle from birth to death including a host of intermediate experiences (confirmations, graduation and marriage). Ritualized behavior is rather formal and often scripted behavior.

**Importance of Rituals for Marketers**

Rituals are replete with ritual artifacts. Ritual artifacts are products that are associated with or somehow enhance the performance of a ritual. In addition to a ritual there is something called ritualistic behavior? Ritualistic Behavior is any behavior that is made into a ritual

For example a tennis player may a few times or swing the arm holding the racket in a big arc once or twice before every serve



**LESSON 19****CULTURE AND ITS MEASUREMENT ENVIRONMENTAL INFLUENCES****UNDERSTANDING**

- Dynamic Culture
- Measurement of Culture
  - Content Analysis
  - Consumer Fieldwork
- Focus Group Discussions, Depth interviews

**5. Dynamic Culture**

Culture is dynamic as it plays the need gratifying role for the society. To fulfill its need gratifying role culture evolves continually to function in the best interest of society. Marketers must carefully monitor the sociocultural environment in order to market an existing product more effectively and to develop new products. Not an easy task because many factors a likely to produce cultural changes within a society

**Factors Responsible for Culture Change**

These may include:

- New technologies
- Population shift
- Resource Shortages
- Wars, Accidents, Natural Disasters
- Changing Values
- Customs borrowed from other cultures

**Implications for Marketers**

The changing nature of culture means that marketers have to constantly consider:

- Why consumers are doing now what they do? (What things do they purchase, what colors do they like, etc...)
- Who the purchasers and the users of their products are (males, females)?
- When they do their shopping?
- Where can they be reached through media?
- What product and service needs are emerging?

**6. Measurement of Culture**

A wide range of measurement techniques are used in the study of culture. The three important techniques that are most popular include:

- Content Analysis
- Consumer Fieldwork
- Focus Group Discussions

**1. Content Analysis**

Focuses upon the content of verbal written and pictorial communications (the copy and art composition of an advertisement)

**A. When to Do Content Analysis**

- Conclusions about a society
- Specific aspects of a society
- Comparison of two or more societies or aspects of a society

**B. Usage of Content Analysis**

Content Analysis may be used as a relatively objective means of determining:

- What social and cultural changes have occurred in a specific society or

- 
- A way of contrasting two different societies

**C. Example - 1**

- Content Analysis of 250 ads
- Appearing in 8 issues of 17 magazines
- 4 American magazines
- 4 Japanese magazines
- Teenage girls are portrayed differently
- Researchers concluded that these differences correspond to each country's central concepts of self and society
- American teen girls are often associated with images of determination and independence
- Japanese girls are most often portrayed with happy, playful, childlike, girlish image

**Example - 2**

- Another compared American and Chinese ads aimed at children
- 56% ads directed to children in America were of toys
- 82% of ads targeted to children were of food products

**D. Benefits of Content Analysis**

Content Analysis is useful for both marketers and public policy makers who are interested in comparing the advertising claims of competitors within a specific industry or for evaluating the nature of advertising claims targeted to specific audiences (e.g. the women, elderly or children).

**LESSON 20****MEASUREMENT OF CULTURE  
ENVIRONMENTAL INFLUENCES**

- Consumer Field work
- Participant Observation
- Value Measurement Survey Instrument
  - Rokeach Survey
  - The LOV (list of values) Scale

**7. Consumer Fieldwork**

When examining a specific society, researchers frequently immerse themselves in the environment under study through consumer field work. As trained researchers they are likely to select a small sample of people from a particular society and carefully observe their behavior. Based upon their observations researchers can draw conclusions about values, beliefs and customs of the society under investigation. For example positioning trained observers in department and clothing stores note how neckties are selected:

- Solid VS. Patterned
- Stripes VS. Paisley
- Degree of search that accompanies choice
- Consumers taking necktie off the display, comparing it with other ties and putting it back, before selecting the necktie that they finally purchase

**Field Observations**

Field observations take place within natural environment sometimes performed without subject's awareness. Field Observation focuses upon observation of behavior. The emphasis is upon natural environment and observable behavior.

**Participant Observations**

Observers become active members of the environment that they are studying. For example if researchers are interested in learning how consumers select computer soft ware, they may take sales positions in a computer superstore to observe directly or even interact with consumers.

**Specialized Research Firms**

Research firms specializing in studying consumer rituals and values often videotape subjects at work, at home in the cars, etc... Researcher might ask a teenager about why he buys a certain backpack and may not get a useful response, however, to get reliable information researcher might observe him during buying and he will learn a few things.

**Nissan Research 1990's**

In relation to designing Infinity automobiles, Nissan, discovered the differences between then Japanese and American notions of luxury. Luxury to Japanese means craving simplicity, while Americans look at it as visible opulence.

Both field Observations and participant observer research require highly trained researchers who can separate their own emotions and preferences from what they observe in their professional roles.

Marketers often use other techniques also such as, Depth Interviews, Focus Group Discussions (FGD's), to get first look at an emerging social trend. In the informal environment of FGD consumer reveal attitudes/behaviors that may signal a shift in values that in turn might affect the long run market acceptance of a product or service. FGD's can be used to identify marketing programs that reinforce established consumer loyalty and goodwill. A common thread in these studies showed that established consumers want to have their loyalty acknowledged in the form of personalized services.

## 8. Value Measurement Surveys

Value Measurement Surveys are used to determining the dominant underlying values of a society.

### Traditional View

Anthropologists have traditionally observed the behavior of the members of a specific society and inferred from such behavior the dominant underlying values of the society.

### Modern View

Modern view considers measuring of values directly by means of a survey/questionnaire. Researchers use data collection instruments called Value Instruments which are used to ask people how they feel about such basic personal and social concepts as freedom, comfort, national security and peace, etc...

### Popular Value Instruments

A variety of popular value instruments have been used in Consumer Behavior including:

- Rokeach Value Survey
- List of Values (LoV)

#### 1. Rokeach Value Survey

Rokeach Value Survey is a self administered value inventory divided into two parts each part measuring different but complimentary types of personal values. These include:

1. Terminal Values (Goals)
2. Instrumental Values (Ways to get there)

### TERMINAL VALUES

Terminal Value items are designed to measure the relative importance of end states of existence or personal goals.

A comfortable (prosperous life)	Social Recognition (respect & admiration)
An exciting life (stimulating, active life)	True Friendship (close companionship)
A world at peace (free of war and conflict)	Wisdom mature understanding of life)
Equality (brotherhood, equal opportunity for all)	A world of beauty (beauty of nature and arts)
Freedom (independence and free choice)	Family Security (taking care of loved ones)
Happiness (contentedness)	Mature love (personal and spiritual intimacy)
National Security (protection from attack)	Self respect (self esteem)
Pleasure (an enjoyable life)	Sense of accomplishment (lasting contribution)
Salvation (saved central life	Inner harmony (freedom from inner conflict)

### Instrumental Values

Second part consists of 18 instrumental values, which measure basic approaches an individual might take to reach end state values.

Ambitious (hardworking, aspiring)	Imaginative (daring, creative)
Broad Minded (open minded)	Independent (self reliant, self sufficient)
Capable (competent, effective)	Intellectual (intelligent, reflective)
Cheerful (lighthearted, joyful)	Logical (consistent, rational)
Clean (neat, tidy)	Loving (affectionate, tender)
Courageous (standing up for your beliefs)	Obedient (dutiful, respectful)
Forgiving (Willing to pardon others)	Polite (courteous, well mannered)
Helpful (working for the welfare of others)	Responsible (dependable, reliable)
Honest (Sincere, truthful)	Self Controlled (restrained, self disciplined)

### Example

Adult Brazilians were categorized into six distinctive value segments

#### Segment A (13%) of the sample

- Most concerned with:
  - World peace
  - Inner harmony
  - True friendship
- Members involved in:
  - Domestic oriented activities (gardening, reading, going out with family to visit relatives)
- Because of their less materialistic, hedonistic orientation they may be least prone to experiment with new products

#### Segment A (13%) of the sample

- Most concerned with:
  - self centered values such as:
  - Self respect
  - Comfortable life
  - Pleasure, exciting life, sense of accomplishment, social recognition
- Least Concerned with:
  - values related to family:
  - Such as friendship, love and equality
- The self centered achievement oriented pleasure seekers were expected to prefer provocative clothes in the latest fashion to enjoy an active lifestyle, and be more likely to try new products

### 2. List of Values (LoV)

The LOV Scale asks consumers to identify their two most important values from a nine-value list such as:

- a. Warm relationship with others
- b. Sense of belonging
- c. Sense of accomplishment

**LESSON 21**

**SUBCULTURE**  
**CHAPTER 4: ENVIRONMENTAL INFLUENCES**

**Understanding:**

- Sub cultural Analysis
- Nationality Structure

**Subculture**

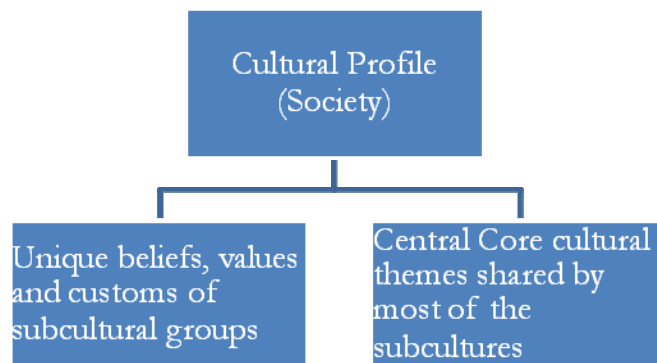
The members of a specific subculture possess beliefs, values and customs that set them apart from other members of the same society. In addition they adhere to most of the dominant cultural values, and behavioral patterns of the larger society.

Subculture is defined as a distinct cultural group that exists as an identifiable segment within a larger, more complex society

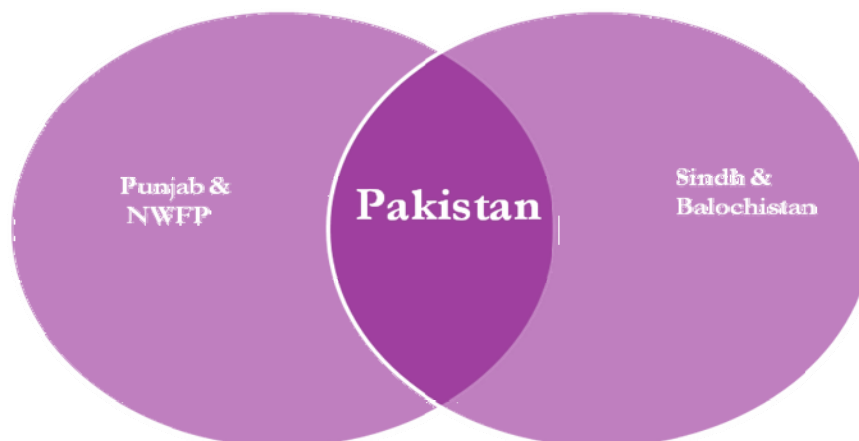
**Cultural Profile of a Society**

Cultural Profile of a society or nation is composite of two distinct elements:

1. Unique beliefs, values and customs subscribed by members of specific of sub cultural groups
2. Central Core cultural themes shared by most of the population regardless of specific sub cultural memberships



Thus the cultural profile of the Pakistani Society may be denoted by the sub-cultures of the country's four provinces as denoted by the figure below



In this way a young girl of Pakistan may simultaneously be:

- Student of Engineering
- Muslim Middleclass (Buying Power)

- Lahori

### Sub cultural Analysis

Sub cultural Analysis enables marketers to focus on sizable and natural market segments. Marketers must determine whether the beliefs, values and customs shared by the members of a specific subgroup make them desirable candidate for special marketing effort.

Subcultures therefore are relevant units of analysis for market research and these subcultures are dynamic for example different ethnic groups of the Pakistani population have been changing and will continue to change in size and economic strength in the coming years.

Examples of major sub cultural categories may be as following:

Categories	Examples
Nationality	Pakistani, Afghani, Irani
Religion	Hindu, Muslim, Christian, etc.
Geographic Region	Punjab, NWFP, Sindh, Balochistan
Age	Teenager, Elderly
Gender	Female, Male
Occupation	Govt. Servant, Private Job
Social Class	Lower, middle, Upper

Nationality and ethnic subcultures develop in order to serve their members in three ways:

- To provide a source of psychological group identification
- To offer a patterned network of groups and institutions supportive of the subculture
- To serve as a frame of reference through which to evaluate the dominant culture.

**LESSON 22**

**AGE AND GENDER SUBCULTURE**  
**CHAPTER 4: ENVIRONMENTAL INFLUENCES**

Understanding:

- Age subculture
- Gender subculture

### 9. Age Subculture

Important shifts occur in individual's demand for specific types of products and services as he or she goes from being a dependent child to a senior citizen. A major age sub grouping of the population may be thought of as a separate subculture e.g. teens influence purchases in approx all product categories. They select the stores in which they spend their own money. By appealing to preteens, marketers build brand loyalty at an early stage. The medium of choice for advertising for them is television

Teens are preoccupied with their appearance. They are more open to new ideas and new products and they are avid television viewers. One view is that teens have segmented themselves into seven groups based on psychographics. The groups are named:

- 1) Jarheads (athletes)
- 2) Nerds or geeks (computer wizards)
- 3) Prepsters or bushies (conservatives)
- 4) Surfer dudes (casual dressers/attitude)
- 5) Heavy metal rockers/punks
- 6) Study gerkins, and
- 7) Bohos (poetry and black dress)

### Popular Age Subcultures in USA

<b>Generation Y</b>	Between 1977 and 1994	13-20 years
<b>Generation X</b>	Between 1965 and 1979	25 – 40 years
<b>The Baby Boomers</b>	Between 1946 and 64	40-60 years

#### 1. Generation Y Market

Defining characteristics of Generation Y market are:

They are 13-20 years old and have grown up in a media saturated environment. They are aware of the marketing hype. They immediately understand that when a shopping centre locates popular teen stores at opposite ends of the mall they are being encouraged to walk the mall. Generation Y-ers split their time between TV viewing and Internet and are less likely to read newspapers. They often do not trust the stores their parent's shopping.

#### 2. Generation X Market

Generation X market is composed of the individuals who are born between 1965 and 1977 (25-40 years). They are distrustful of marketing and look for a balance between work and leisure. These adults are close to their parents and may return to live at home. They are not drawn to traditional forms of advertising (see it as "hying"). Zen X-ers express their need to stay in control by purchasing communications equipment such as beepers, fax machines, e-mail, and mobile phones. They prefer products based on their practicality.



### 3. Baby Boomers

Baby boomers are the individuals born between 1946 and 1964 (approximately 78 million). Their total income is over \$1 trillion, increasing at a rate of 10% per year (versus 5% for the rest of the population). They have a high level of education and have more discretionary income than other groups and they buy more and save less. Baby Boomers are health conscious. They are becoming less materialistic in outlook and their product and service selections reflect their concern for the environment and quality of life. They use credit cards extensively and the higher income groups buy expensive exercise equipment and other personal/luxury goods. Boomers keep up with fashions.

### Seniors Citizens

Senior Citizens are older people who have played their innings and are mostly living a retired life. Their households are small and their need for new purchases is limited. They enjoy convenience in the marketplace and appreciate their leisure time. They spend more on others. They tend to perceive themselves as younger than their years (e.g. 65 year olds perceive themselves as age 50). Although they have a tendency to be brand loyal, they tend to try new products or brands if given good reasons to do so. The senior market can further be segmented on the basis of age, activity level, health, and mobility (65-74 and 75+ groups; active/healthy vs. poor health or disabled)

## 10. Gender Subculture

All societies tend to assign certain roles to women and others to men. The masculine role for example is that of aggressiveness and competitiveness, whereas the feminine role is that of neatness, tactfulness, gentleness, and talkativeness

### Gender Difference Study

A study was conducted to understand the gender differences in reactions to similar prints. It was found that women show superior affect and purchase intent towards ads that are verbal, harmonious, complex and category oriented.

Men show superior affect towards ads that are comparative, simple and attribute oriented. It was concluded that it may be best to advertise differently to men and women.

### Consumer products and Gender Roles

Products are either exclusively or strongly associated with the members of one sex. For example shaving equipment, cigars, pants, ties and work clothing are for men. Bracelets, hairsprays, hair dryers, sweet smelling perfumes are considered feminine products.

### Men are Hunters; Women are Nurturers

(Internet Surfing Trends across the Genders)

The appeal for internet seems to be different for both men and women. Women go online to seek out reference materials, online books, medical information, cooking ideas, government information and chat sites. Men tend to focus on exploring and discovering, identifying free software and investments opportunities. Women are less likely to purchase on the internet (32% for men VS 19% for women). Lesser purchase rate on the internet is because of heightened concerns about online security and privacy.

### Women as Depicted in the Media

Media and advertising create an expectation of beauty for women that they can never meet which is why most women demand the definition of beauty to change. Responding to this call from women an international brand of soap challenged the traditional sense of beauty and "Real" women were portrayed in the company's ads with grey hair, wrinkles and flawed skin. 65% of women 35-40 years of age felt good. 50% found ads to be old fashioned.

### Segmenting the Women Work Wise

According to the work status, women may be segmented into following categories

- Stay at home housewives
- Plan to work housewives

- 
- Just a job working women
  - Career oriented working women
  - Just a job working woman seems to be motivated to work primarily by a sense that family requires the additional income
  - Career oriented working women who tend to be in professional or managerial position are driven by the need to achieve and succeed in their chosen careers

The percentage of career oriented working women is on the rise world wide. A study conducted in USA found that 25% of all working women bring home paycheck that is larger than their husband's.

Working women spend less time shopping than non-working women. They accomplish this time economy by shopping less often and by being brand and store loyal. Working women are also likely to shop on early evenings or on weekends. Magazines are delivering a larger women's audience than Television. Every year more retailers target women.

#### **Differences in Acquisition and Consumption Behaviors**

Women more likely to engage in thorough examination of a message and make extended decisions based on product attributes. Males are selective information processors. Males are more sensitive to personally relevant information. Women pay more attention to personally relevant information as well as information relevant to others. Women are more likely to engage in compensatory eating – making up for deficiencies such as lack of social contact or depression by eating.

**LESSON 23****BASES FOR SEGMENTATION:  
BENEFIT SEGMENTATION**

Chapters No. 1-4 were reviewed in the lecture no. 23. Find below the list of the topics reviewed under requisite chapter no.

**Chapter 1: Introduction to Consumer Psychology**

- **Definition and Scope of Consumer Psychology**
- **Development of Marketing Concept**
  - Product Concept
  - Production Concept
  - Selling Concept
  - Marketing Concept
  - Implementing the Marketing Concept
- **The Role of Consumer Research**
  - Segmentation, Targeting and Positioning
- **Customer Value, Satisfaction and Retention**
- **Consumer and Decision Making**
- **Fields of Consumer Psychology**

**Chapter 2: Modeling and Researching CP**

- **CONSUMER RESEARCH PARADIGMS**
  - Qualitative Research
  - Quantitative Research
  - Combining Qualitative and Quantitative Research
- **THE CONSUMER RESEARCH PROCESS**
  - Developing Research Objectives
    - Primary and Secondary Data
    - Collecting Secondary Data
    - Syndicated Data
    - Customer Profitability and Lifetime Value Data
- **DESIGNING PRIMARY RESEARCH**
  - Quantitative Research Designs
    - Observational Research
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**SOCIAL CLASS**  
**CHAPTER 4: ENVIRONMENTAL INFLUENCES**

**Understanding:**

- Social Class
- Measurement of Social Class

**Social Class**

The concept of Social Class is used to assign individuals or families to a social class category. Social Class may best be thought of as a continuum – a range of social positions on which each member of society can be placed. Researchers prefer to divide the continuum into small number of specific social classes or strata.

Division of members of a society into a hierarchy of distinct status classes, is such that members of each class have relatively the same status and members of other classes have either more or less

Social class is treated as a personal phenomenon one that reflects an individual's sense of belonging or identification with others. This feeling of social group membership is referred to as Class Consciousness.

**The Measurement of Social Class**

How would one measure the social class? There is no general agreement amongst the researchers as to how should they measure social class. To a great extent researchers are uncertain about the underlying dimensions of social class structure. Systematic approach to measuring the social class fall into following broad categories

1. Subjective Measures
2. Reputation Measures
3. Objective Measures

**1. Subjective Measures**

Individuals are asked to estimate their own social class positions. Typical to this approach is the following question:

Which one of the following four categories best describe your class?

- Lower class
- Lower Middleclass
- Upper Middleclass
- Upper class
- Do not know/refuse to answer

Subjective Measures tend to produce overabundance of people who classify themselves as middleclass understating the “fringe people” who could be classified as either lower or upper

**Class Consciousness**

Social class is treated as a personal phenomenon, one that reflects an individual's sense of belonging or identification with others. This feeling of social group membership is referred to as Class consciousness.

**Life of the Nation Survey**

Every year in Japan a life of the nation survey is conducted. Citizens place themselves in any one of the categories including:

- Upper
- Upper Middle
- Middle Middle

- Lower Middle
- Lower Class

Results of the survey have been as below

- Late 1950's – 70% (in any middle class)
- 1960-today – 90% (in any middle class)

### Issues

Subjective Measures tend to produce overabundance of people who classify themselves as middleclass. There is difficulty in understanding the “fringe people” who could be classified as either lower or upper

### 2. Reputational Measures

Reputational measures require selected community informants to make initial judgments concerning the social class memberships of others within the community. The final task of assigning community members to social class positions belongs to the trained researcher.

Sociologists use the RA to obtain better understanding on the specific class structure of the communities. Consumer Researchers are concerned with measurement of social class to understand markets and consumption behavior better not social structure. Reputation approach proved to be impractical

### 3. Objective Measures

Objective measures consist of selected demographic or socioeconomic variables concerning the individual(s) under study. These variables are measured through questionnaires that ask respondents several factual questions about themselves.

#### Variables of Objective Measures

Variables of Objective Measures may include:

- Occupation
- Education
- Income

#### 1. Occupation

Occupation is the best documented measure of social class. Importance of occupation as a social class indicator is dramatized by the frequency with which people ask they meet the first time **what do you do for a living?** Marketers think in terms of specific occupations when defining their target markets e.g. accountants are our best customers; we target our 7 days Northern Areas of Pakistan trips to executives and professionals.

The likelihood that a particular occupation would be receptive to certain products or services provides the basis for an occupational Screener questionnaire for FGD's

#### Self Employed

There is a world wide increasing trend toward self employment amongst business and professional people. Business executives and professionals who are self employed or entrepreneurs are likely to be wealthier than their counterparts. The link between self employment and higher income is consistent with the trend of increasing number of graduates working for themselves rather than going to work for big business

#### 2. Education

The level of a person's formal education is a commonly accepted approximation of social class standing. The more education one has, the more likely it is that

- a. The person is well paid
- b. Has an admired or respected position

#### 3. Income

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Family income is another socioeconomic variable frequently used to approximate social class standing. Researchers favoring income as a measure of social class use either amount or source of income.

Difference between wealth and income is however, always drawn

Wealth not income is the primary driver to financial freedom. Wealth not income is a function of savings, to achieve wealth one has to improve one's net worth not just one's income. Wealth deals with the creation of resources and money deals with more with the consumption. For wealth one needs to network and build personal alliances for getting the right information. One needs to find way to minimize expenses to increase the ability to create wealth

### **Issues**

Not all consumer researchers agree that it is an appropriate index of social class. A blue collar electrician and a white collar administrative assistant may both earn the same amount of money. However, because of the social class difference both will spend their money differently. So it is the difference in values that is important discriminat in class not the income. Substantiating importance of consumer's personal values rather than the amount of income, is the observation that affluence may be more a function of attitude and behavior than of income level.

#### **4. Other Variables**

Other variables may include:

- Quality of Neighborhood
- The price value of residence
- Possessions have been used by sociologists

### **Two Categories of Objective Measures**

Two Categories of Objective Measures include:

- 1) Single Variable Indexes
- 2) Composite Variable Indexes

#### **1. Single Variable Indexes**

Single Variable Index uses just one variable to evaluate social class membership e.g. occupation, education or income

#### **2. Composite Variables**

Composite variables systematically combine a number of socioeconomic factors to form one overall measure of social class standing. Such indexes may better reflect the complexity of social class than single index variable.

**LESSON 25****CONSUMER SOCIAL CLASSES  
CHAPTER 4: ENVIRONMENTAL INFLUENCES****Understanding:**

- Affluent Consumer
- Middle Class Consumer
- Working Class
- Non Affluent Consumers

**Consumer Social Classes**

Consumer research has found evidence that within the social classes there is a constellation of specific lifestyle factors (shared beliefs, attitudes, activities and behavior) that tends to distinguish members of one social class from members of other social classes. In this section we will study the following classes:

1. Affluent Class
2. Middle Class
3. Downscale Consumers
4. Other types of social classes

Affluent Consumers are likely to focus on savings, reducing time and effort and seem to be willing pay more for many things that provide the above mentioned conveniences

**1. Affluent Consumer**

Affluent Households place more importance on friendship, leisure times, and hobbies. They seem to place less importance on money which is why they consume more domestic airline tickets, own more vehicles, hold more securities and spend more money on desktop, laptop and hand held computers as well as other electronic gadgetries.

Members of the affluent class have incomes that provide them with disproportionately larger share of all discretionary income. The extras allow the purchase of:

- Luxury cruises
- Foreign sports cars
- Tourism resorts
- Fine jewelry
- Ready access to

There seems to be a relationship between health and economic status. Healthiest people are those who are economically advantaged. Higher income and more highly educated people are less likely to die of heart disease, strokes, hepatitis, TB, cancers and other diseases of the sort. Affluent class seems to live longer and in better health than middle class. Middle class live longer and in better health than individuals at the bottom

**Children of the Affluent Class**

Evidence suggests that children of the affluent may have problems with:

- Substance abuse
- Anxiety
- Depression

The above may be caused by excessive pressures to achieve as well as due to physical and psychological isolation from parents.

**Millionaire VS Non Millionaire**



Millionaires – the first generation wealthy may be taken as a subcategory of affluent consumers. Millionaires are quite similar to non millionaires. Millionaires working for themselves in non glamorous businesses work hard and live in nonpretentious homes next door to non-millionaires

### **Media Exposure of the Affluent**

Media habits of the affluent differ from the general population. They seem to view less TV per day and read more of different publications

### **Segmenting the Affluent Market**

Not all affluent consumers share the same lifestyle (lifestyle is activities, interests and opinions). Affluent may be isolated into meaningful segments.

One scheme has divided the affluent into following categories:

**The upbeat enjoyers** who live for today

**The financial Positives** who are conservative and look for value

One hypothesis in this regard is that most people who have money are fairly conservative and have accumulated wealth because they are good savers

### **Upper Deck Consumers**

An affluent market segmentation schema developed by MRI (Mediamark Research Inc, 2004)

They call Top ten percent households in terms of income, Upper Deck Consumers. They divided them into following categories:

**A. Well feathered Nests**

Household those have at least one high income earner and children present

**B. No Strings Attached**

Household those have one high income earner and no children

**C. Nanny's In charge**

Households that have two or more earners, none earning high incomes, and children present

**D. Two Careers**

Households that have two or more earners, neither earning high incomes no children present

**E. The Good Life**

Households that have a high degree of affluence with no person employed or head of the family not employed

## **2. Middle Class Consumer**

Middle Market is the middle 50% household income. Households composed of college educated adults, who are involved in children's education and are confident that they can maintain the quality of their life.

Middle class can be thought of as including households that range from lower middle to middle class in terms of some acceptable variable or combination of variables (income, education, age or income).

This view does not include the upper middle class which over the years has been exceedingly treated as affluent consumers.

### **Children Education Differences**

Working class families often teach their children, at an early age, to do what they are told to do and manage their own free time. Middle class parents actively play a role in shaping their kids activities, want their children to participate in extracurricular activities that will add to their talents, and encourage them to speak to figures of authority

**Middle Class Disappearing?**

Middleclass consumers increasingly move upstream to the ranks of affluent consumers. The other segment is losing ground and slipping backwards to the ranks of working class, creating a distribution that looks like hour glass

**Middle Class Increasing**

Over the last decade rapid increase is seen in the middle class consumers in select Asian and Eastern European countries. In USA middle class is fast dissolving into upper middle class (affluent). American, Japanese and Korean automobile manufacturers are now manufacturing their cars in China, hoping that the growing middle class in China will be interested in purchasing their vehicles

**3. The Working Class and other Non Affluent Consumers**

Although advertisers would prefer to show their products as part of an affluent lifestyle, blue collar or working class represents a vast group of consumers. Downscale consumers may actually be more brand loyal than wealthier customers because they can not afford to make mistakes by switching into unfamiliar brands. A sensitive fact for marketers should be that non affluent consumers often spend higher percentage of their available income on food than their middleclass consumers

**4. Techno Class**

Degree of literacy, familiarity and competency with computers and the internet appears to be a new basis for a class standing. Inability to adequately use technology is negatively impacting lifestyles. Parents in all social class groupings are seeking an early exposure to computers for their kids. They don't want to see them left out the "sweep of computer technology". Understanding computers is a necessary tool for development. Older people business men don't want to be left out so they are seeking computer training, functional understanding of computers so that they will not be considered geeks. In this sense there is sense of technological class structure that centers on the computer skills. It appears that people without necessary computer skills will increasingly find themselves to be under classed and disadvantaged.

**CONSUMER SOCIAL CLASSES**  
**CHAPTER 4: ENVIRONMENTAL INFLUENCES**

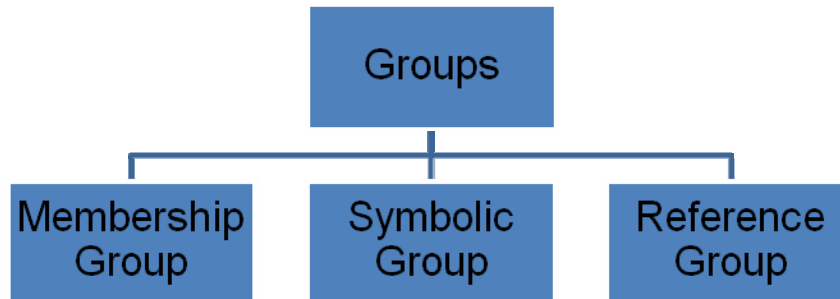
- **Understanding:**  
Groups
- Reference Groups
- Working Class
- Non Affluent Consumers

### Consumer Related Reference Groups

A group may be defined as two or more people who interact with each other to accomplish individual or mutual goals e.g. group of two neighbors, the local cricket club, the boys' hockey team of a colony, group of friends from college, group of cousins

### Types of Groups

Mainly three types of groups may be differentiated:



#### 1. Membership Group

A group to which either a person belongs or would qualify for membership is called a membership group. The group of men with whom a young executive plays chess every week is his membership group

#### 2. Symbolic Group

Group in which an individual is not likely to receive membership despite acting like member by adopting the group's values, attitudes and behaviors is called a Symbolic Group. Professional cricket players may constitute a symbolic group for an amateur who identifies with certain players by imitating their behavior, e.g. by buying a certain brand of racket or wearing a certain kind of T-Shirt but he will never get the membership as a professional player

#### 3. Reference Group

Any group or a person that serves as a point of comparison (reference) for an individual in forming either general or specific values, attitudes or a specific guide for behavior. Reference Group provides valuable perspective for understanding the impact of other people on individual's consumption beliefs, values, attitudes and behavior. Also provides insights into the methods marketers use to affect desired changes in the Consumer Behavior. Reference groups serve as frames of reference for individuals in their purchase or consumption decisions.

Usefulness of the Concept of reference group is enhanced by the facts that it places no restriction on group size or membership, nor does it require that consumers identify with a tangible group. The group can be symbolic e.g. owners of successful businesses, leading corporate chief executives, music stars, cricket celebrities, etc...

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**Types of Reference Groups**

Two types of Reference Groups may be identified:

- Normative Reference Group
- Comparative Reference Group
- Indirect Reference Group

**Normative Reference Group**

Reference groups that influence general or broadly defined values or behavior are called Normative Reference Groups. Child's normative reference group is his immediate family, which is likely to play important role in modeling the child's general consumer values and behavior (such as which foods to select, what clothes to wear, etc...) Normative Reference group influence the development of a basic code of behavior.

**Comparative Reference Group**

Reference groups that serve as benchmarks for specific narrowly defined attitudes or behavior are called Comparative Reference Groups. Example: A neighboring family whose lifestyle appears to be admirable and worthy of imitation (the way they maintain their home, their choice of furniture, cars, their taste in clothing). Comparative groups influence the expression of specific consumer attitudes and behaviors. It is likely that the specific influences of comparative reference groups to some measure depend upon the basic values and behavior patterns established early in a person's development by normative reference groups

**Indirect Reference Group**

The meaning of reference groups has changed over the years. Originally reference groups were narrowly defined to include only the groups with which a person interacted. IRC consists of those groups or individuals with whom a person does not have direct face to face contact such as movie stars, sports heroes, political leaders, etc..

**Factors Affecting Reference Group Influence**

Following factors affect the influence of the Reference Groups

**1. Information and Experience**

First hand experience with a product or service, or can easily obtain first hand information about it, is less likely to be influenced by the advice or influence of the others. Person who has little or no experience with a product or service is more likely to seek out the advice or example of others

For example, a young corporate sale representative who wants to impress his client may take him to restaurant; he knows is good or the one that is highly recommended by the local newspaper. In case of none of the above he may seek the advice of a friend or a parent. He imitates the behavior of others by taking him to a restaurant he knows is frequented by the business executives he admires.

**Credibility, Attractiveness and Power**

A reference group considered as credible, attractive and powerful may induce consumer attitude and behavior change. Consumers who seek accurate information are likely to be persuaded by whom they consider trustworthy or knowledgeable- that is more likely to be persuaded by sources that are credible.

**Consumers Concern with Approval**

Consumers are primarily concerned with acceptance or approval of others whom they like or with whom they identify, or those who offer them status or other benefits. They are likely to adopt their product, brand or other behavioral characteristics.

### **Concern with Power**

When consumers are primarily concerned with power that a person or group can exert over them they might choose a product that confirms to the norms of that person or group in order to avoid punishment or ridicule.

### **Conspicuousness of the Product**

Influence of reference group on purchase decision varies with reference to how conspicuous the product is to others.

**Visually Conspicuous** product is the one that stands out and gets noticed e.g. a luxury item or novelty product.

**Verbally Conspicuous Product** may be highly interesting; it may be easily described to others.

**Especially Conspicuous Products** are status revealing such as new automobile, laptop computer, fashion clothing, etc...are most likely to be purchased with eye on the reaction of significant others.

Privately consumed products that are less conspicuous (shaving cream or bath soap) are less likely to be purchased with reference groups in mind. Marketers especially market leaders are interested in the ability of reference groups to change consumer attitudes and behavior by encouraging conformity.

### **Targeting Conformity**

To influence conformity, a reference group must accomplish the following:

- Inform or make the individual aware of a specific product or brand
- Provide individual with the opportunity to compare his/her own thinking with the attitudes and behaviors of others
- Influence the individual to adopt the attitudes that are consistent with the norms of the group
- Legitimize the decision to use the same products as groups

### **New Brand Marketing**

One may wish to elect a strategy that asks consumers to strike out and be different and not just follow the crowd when making a purchase decision. In reality the non-conformity appeal can be thought of as a request to shift one's reference (attitude or behavior) from one grouping to another reference.

### **Selected Consumer Reference Groups**

Friendship Groups are classified as informal groups because they are unstructured and lack authority structure. Friends are only second to one's family in influencing. Seeking and maintaining friendship is a basic need/drive for most people. Friends provide comfort, love and companionship. Most of all they provide opportunity to discuss things that one can't discuss with relatives or family.

The opinions and preferences of friends are important influences in determining the brands a consumer ultimately selects.

### **Workgroups**

The importance of workgroups can be understood by the sheer amount of time that people spend at jobs. Distinction can be made between formal and informal workgroups.

**Formal Workgroups** consist of individuals who work together as part of a team and thus have a sustained opportunity to influence each other's opinions.

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**Informal Workgroups** consist of individuals who have become friends as a result of working for the same firm. Members of the informal workgroups may influence behavior during the coffee and lunch hours or after work meetings.

**LESSON 27**

**CONSUMER SOCIAL CLASSES**  
**CHAPTER 4: ENVIRONMENTAL INFLUENCES**

**Understanding:**

- Shopping groups
- Celebrity and other reference groups
- Family as group

**Shopping Groups**

Two or more people who shop together, whether for food, clothing or simply to pass the time can be called a shopping group. Such groups are often the offshoots of family or friendship groups and are often called purchase pals

**Motivation for Shopping with Purchase Pals**

Shopping with groups could be a pleasant experience because of different types of motivations including:

- **Social Motive** :To spend time together and enjoy lunch after shopping
- **Risk Avoidance**: (Reduce the risk while making an important decision)
- **Reducing the Error**: (Have someone whose expertise will reduce the chance of making an incorrect purchase)
- None of the members knows about the product under consideration
- **Defensive Reasons**: Members may feel more confident with collective decision

**In-Home Shopping Party**

Group that gathers together in the home of a friend to attend a party devoted to demonstrating the features of a specific line of product

**Benefits of In-home Shopping Party**

The features of a product can be marketed to a group of potential customers. Early purchasers tend to create a bandwagon effect. Undecided guests often overcome a reluctance to buy when they see their friends make positive purchase decisions. Some guests may feel obliged to buy because they are in the home of the sponsoring host or hostess.

**Customer Referral Program**

Customer Referral Programs make use of elements of shopping behavior that take into account the group dynamics. It usually focuses on Member Gets Member (MGM) Campaign. Current customer is asked to persuade other members to become members. For example Membership Clubs of the Hotels

**Work Groups**

Workgroups consist of people who work together. Workgroups serve a major influence on consumer behavior of members

**Formal Workgroups** consists of the individuals who work together as part of team and thus have sustained opportunity to influence each other's consumption related actions and attitudes

**Informal Workgroups** consists of people who have become friends as a result of working for the same company, whether or not they work together as a team. Members of informal workgroups may influence the behavior of other members during coffee or lunch breaks or after work meetings

**Virtual Group Communities**

Web based consumer groups. Such groups/communities provide access to members with ample information, fellowship, and social interaction covering an extremely wide range of topics and issues (e.g. vegetarianism, cooking, trading, electronic equipments, software, matchmaking, technology, etc...)

### **Evolution in the Definition of Communities**

50 Years ago definition of community stressed the notion of geographic proximity and face to face relationship, today community is much more broadly defined as sets of social relationships among people.

**On the internet** It does not matter who you are. People are free to express their thoughts.

Be emotionally intimate with those they do not know at all. The anonymity on the web gives its user maximum freedom. Communicating on the internet makes people explore the boundaries of their personalities and shift from one persona to the other. The exchange of knowledge that can take place within a virtual community can help a good product sell faster and poor products fail faster.

### **Brand Communities**

Specialized non-geographically bound community, based on a structured set of social relationships amongst admirers of a brand ... It is marked by a shared consciousness, rituals and traditions and sense of moral responsibility.

Marketers some time design specific product or service to create a sense of community or take advantage of pre-existing relationships (e.g. offer to members of a family and relatives or friends, or even people doing business with each other). Runners get together at Nike town store. Saturn automobile reunions and barbeques, Jeep owners.

### **Consumer Action Groups**

Groups dedicated to providing consumers with assistance in their effort to make the right purchase decisions, consume services and products in a healthy and responsible manner and generally add to the quality of their overall lives

**Categories of Consumer Action Groups** are those that organize to correct specific consumer abuse and then disband it. They organize to address broader more pervasive problem areas and operate over an extended or indefinite period of time.

Examples may be group of neighbors who meet with local highway departments to demand additional stop signs be placed on specific corners in their residential neighborhoods. It could be group of parents who band together to protest the sale of cigarettes to the minors in their neighborhoods.

### **Celebrity and Other Reference Group Appeals**

Celebrities can be a powerful force in creating interest or actions with regard to purchasing or using selected goods and services

Types of Reference Groups in this regard include:

- Celebrity Appeal
- Expert Appeal
- Common Man Appeal
- Executive and Employee Appeal
- Trade or Spokes Character Appeal

#### **1. Celebrity Appeal**

Celebrities mostly include:

- Movie Stars
- TV Stars
- Entertainers Sports Icons



- Entertainers

According to an estimate about 25% of advertisements include celebrities. Advertisers spend enormous sums of money to have celebrities to promote their products with the exception that the reading or reviewing audience will act positively to the celebrity's association with their product. Famous people hold the viewers' attention.

### Examples

Michael Jordan Under contract with NIKE till 2023

- Tiger Woods has a five year contract with Buick , estimated at \$ 30 Million
- Tiger Woods also with NIKE where his deal is going to rise up to \$ 80 Million
- David Beckham signed a contract with Gillette worth \$ 68 Million

### Celebrity Credibility

Audience's perception of the celebrity's level of expertise in endorsing a product is considered important by the target consumers. It matters to them that

- How much the celebrity knows about the product area
- How honest the celebrity is about what he or she says about the product)

### 2. Expert Appeal

A person who because of his/her occupation, special training, or experience is in a unique position to help the prospective consumer evaluate the product or service that the advertisement promotes.

#### Example

- Advertisement of a quality Oil may feature the endorsement of a chef
- The advertisement of a toothpaste endorsed by a dentist
- The advertisement of a car leasing plan endorsed by a financial analyst

### 3. The Common Man Appeal

Reference Group Appeal that uses the testimonials of satisfied customers is known as the Common Man Approach.

#### Examples

A Middle aged humble and innocent lady – endorsing a financial savings plan

- NIKE Sneakers Ad taking the common youngsters playing cricket on the roof tops of the buses

#### Advantage of the Common Man Appeal

The Common Man Appeal demonstrates to the prospective Customer that some one just like them uses and is satisfied with the product or service being advertised. Common Man Appeal is especially effective in public health announcements. Most Television Commercials show a typical person or family solving a problem using the advertised product/service.

### 4. Executive-Employee Spokesperson

Increasing number of companies has shown their CEO's in the advertisements.

### 5. Trade or Spokes Character Appeal

Characters created by the company to endorse their products, E.g. Ninja Turtles, Commander Safeguard, etc..

#### Other Reference Group Appeals

- Respected Retailers
- Editorial Content of Special interest magazines
- Fashion Magazines Endorsements (Fashion Designers)
- Seals of Approval (Medical/Pharmaceutical products, ISO certifications, etc...)

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Family

Key Family Consumption Roles include:

- Influencers:
  - Family members who provide information to other family members about the product/service
- Gatekeepers
  - Family Members who control the flow of information about a product/service in the family
- Deciders
  - Family Members with the power to decide unilaterally or jointly whether to shop for, purchase, use, consume or dispose of a specific product/service
- Buyers
  - Family members who make the actual purchase of a particular product/service
- Preparers
  - Family Members who transform a product into a form suitable for consumption by other members
- Users
  - Family Members who use or consume a particular product/service
- Maintainers
  - Family members who service or repair the product so that it will provide continuous satisfaction
- Disposers
  - Family Members who initiate or carry out the disposal or discontinuation of a product /service

**UNDERSTANDING PERSONALITY**  
**CHAPTER 5: INDIVIDUAL DETERMINANTS OF CONSUMER BEHAVIOR**

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**Understanding:**

- The nature of Personality
- Theories of Personality
- Freudian theory
- Trait theory

- Brand Personality
- Self and Self Image

### Understanding Personality

Consider the following sentences in order to build an introduction to the concept of personality:

- My brother has always wanted to be different since the day he was born
- Nadeem's approach is always so aggressive
- Sarah can never learn to be patient

Marketers have long tried to appeal to consumers in terms of their personality characteristics. What consumers purchase and when and how they consume are likely to be influenced by personality characteristics

Below are some of the examples of the ways marketers try to create personality appeals through their advertisements

- We are all created equal but after that its up to you (Harley-Davidson Motorcycle)
- Never Follow (Audi)
- For those who consider conformity as serious road hazard (SAAB 97 X SUV Cars)
- Impossible is Nothing (Adidas)

### What is Personality

Personality is dual influence of heredity (looks) and early childhood (Experience)? Is it the broader social and environmental influences? Personality is a a whole or specific individual traits? These are some of the considerations while trying to define the personality.

Personality may be defined as inner psychological characteristics that both determine and reflect how a person responds to his/her environment

**Inner Characteristics** are distinguishing characteristics of an individual. They may include:

- Attributes
- Traits
- Mannerisms

### Personality and Consumer Behavior

Personality is likely to influence an individual's product choices. Identification of personality characteristics associated with consumer behavior has proven to be highly useful in the development of a firm's market segmentation strategies.

### The Nature of Personality

Three distinct properties are of importance in the study of personality:

1. Personality reflects individual differences
2. Personality is consistent and enduring
3. Personality can change

#### 1. Individual Differences

Inner characteristics of an individual are unique, no two individuals are alike. Many individuals may be similar in terms of a single personality characteristic but not in terms of others. Some people may be **high** in venturesomeness (willing to accept the risk of doing something new). Others may be **low** (afraid to buy recently introduced product). If each person were different in terms of all personality traits it would be difficult to group consumers in segments.

#### 2. Personality is Consistent and Enduring

Marketers can not change the personality of consumers to conform to their products. If they know which specific personality characteristic triggers specific consumer response, they can attempt to appeal the relevant traits inherent in their target group of consumers. Even the personalities remain consistent the consumer behavior varies because of the psychological, sociological and situational factors that influence behavior.

### 3. Personality Can Change

An individual's personality may be altered by major life events e.g. an individual's personality changes in response to major life events e.g. marriage, birth of a child, death of a parent, change of job/or profession. Personality change may also be a gradual maturing process. Personality stereotypes may change over time also e.g. men's personality seems not to have changed in the past 50 years, while women have become more masculine during this time.

## Theories of Personality

### 1. Freudian Theory of Personality

Viennese Psychologist Sigmund Freud's Psychoanalytic Theory of Personality, built upon the premise that unconscious needs or drives especially biological drives are at the heart of the human motivation and personality

### Constituents of Personality

Three Interacting Systems of Personality are:

- Id
- Ego
- Super Ego

### ID

Id is the warehouse of primitive and impulsive drives. It is concerned with the basic physiological needs such as hunger, thirst, etc... for which individual seeks immediate satisfaction without concern with the means of satisfaction.

### Super Ego

Super Ego is individual's internal expression of society's moral and ethical codes of conduct. Super Ego's role is to see that the individual satisfies need in a socially acceptable manner. It serves as a kind of break that inhibits or restrains the impulsive force of id.

### Ego

Ego is an individual's conscious control. It serves as the internal monitor that balances the impulsive demands of id and the Sociocultural constraints of Super Ego.

**LESSON 29****CONSUMER PERSONALITY, TRAIT THEORY AND SELF IMAGES  
CHAPTER 5: INDIVIDUAL DETERMINANTS OF CONSUMER BEHAVIOR****Understanding:**

- Consumer purchase as a reflection of Consumer Personality
- Trait theory
- Self Image

**1. Freudian Theory and Consumer Personality**

Consumer Researchers who apply Freud's psychoanalytic theory to the study of consumer personality believe that human drives are largely unconscious. Consumers are primarily unaware of their true reasons for buying what they buy. These researchers tend to see that consumer purchase and/or consumption situations as extension of consumer's personality. Consumer's appearance and possessions – grooming, clothing, jewelry, etc reflect the individual's personality.

**A Research Study**

- By: Alan Hirsch (Naperville, H. Sourcebooks 2001)
- Title: What flavor is your personality
- Conducted on: 19,000 consumers
- Examines: The link between snack food perceptions and personality traits

**Findings of the research****Snack Foods and Personality Traits**

Snack Foods	Personality Traits
Potato Chips	Ambitious, successful, high achiever, impatient with less than the best
Tortilla Chips	Perfectionist, high expectations, punctual, conservative, responsible
Pretzels	Lively, easily bored with same old routine, flirtatious, intuitive, may over commit to projects
Snack Crackers	Rational, logical, contemplative, shy, prefers time alone
Cheese Curls	Conscientious, principled, proper, fair, may appear rigid, but has great integrity, plans ahead, loves order
Nuts	Easygoing, empathetic, understanding, calm, even tempered.
Popcorn	Takes charge, pitches in often, modest, self conscious, but not a show off

Meat Snacks

Gregarious, generous, trustworthy, tends to be overly trusting

## 2. Trait Theory

A personality theory with a primarily empirical/quantitative orientation. It focuses upon the measurement of personality in terms of specific psychological characteristics called traits

### Trait

Trait is a distinguished relatively enduring way in which one individual differs from another. Trait theorists are concerned with construction of personality tests (or inventories) that enable them to pinpoint individual differences in terms of specific traits.

### Single Trait Personality Tests

Single Trait Personality Tests measure just one trait (such as Self confidence) that are often developed specifically for use in Consumer Behavior studies.

These tailor made personality tests measure such traits as:

- **Consumer Innovativeness:** how receptive a person is to new ideas
- **Consumer Materialism:** the degree of consumer's attachment to worldly possessions
- **Consumer Ethnocentrism:** The consumer's likelihood to accept or reject foreign products (Pakistan example)

Does personality link to how consumers make their choices and to the purchase of a brand product category rather than a specific brand? Researchers have found that personality links to how consumers make their choices and to the purchase of a brand product category rather than a specific brand.

### Example

Research Study

By: Gwen Carden (Naperville, H. Sourcebooks 2001)

Title: Your favorite reveals your personality

Published: Stone City journal, January 2, 2001)

Conducted on: 1,000 US adults

Examines: The link between favorite and personality traits

## Soup and So Soup and Soups Lovers Traits

### CHICKEN NOODLE SOUP LOVERS

- Watch a lot of TV
- Family oriented
- Great sense of humor
- Outgoing and loyal
- Like daytime talk shows

### TOMATO SOUP LOVERS

- Passionate about reading
- Love Pets
- Like meeting people for coffee

- Aren't usually the life of a party

### Findings of the Research

#### Brand/Product Personality

Consumers attribute various descriptive personalities like traits or characteristics to different brands in a wide variety of product category

### 3. Self & Self Image

Consumers have a variety of enduring self images about themselves. The self images or perceptions about self are closely associated with personality in that individuals tend to buy product and services and patronize retailers whose images or personalities relate in some meaningful ways to their own personalities

#### The Makeup of Self Image

Each individual has an image of himself/herself as a certain kind of person, with certain traits, skills, habits, possessions, relationships and ways of behaving. The individual's self image is unique – the outgrowth of a person's background and experiences

#### Development of Self Image

Individuals develop their self images through their interactions with other people – initially their interaction with their parents and then with other individuals and groups with whom they relate over the years

Historically individuals have been thought to have single self image and to be interested in products and services that satisfy the single self

#### Our Multiple Selves

A single individual is likely to act differently in different situations with different people. A variety of different self images have been recognized in the consumer behavior literature for a long time:

- Actual Self Image
- Ideal Self Image
- Social Self Image
- Ideal Social Self Image

#### Actual Self Image

How consumers actually see themselves

#### Ideal Self Image

How consumers would like to see themselves

#### Social Self Image

How consumers feel other see them

#### Ideal Social Self Image

How consumers would like others to see them

#### Expected Self

How consumers expect to see themselves in at some specified future time (somewhere between the actual self image and the ideal self image)

#### Ought To Be Self

Consists of traits or characteristics that an individual believes it is his/her duty or obligation to possess



**Marketing Contexts and Self Images**

In different contexts consumers might select a different self image to guide their attitudes or behavior. For some actual house hold product consumers might be guided by their actual self image. For some socially enhancing or socially conspicuous product they might be guided by their social self image. When it comes to personal appearance they might be guided by their ideal self images

**Self Image and Marketing Concept**

The concept of self image has strategic implications for marketers: They can market their products on the basis relevant consumer self images, position their products or services as symbols of such self images. Such a strategy is fully consistent with the marketing concept. Marketer first assesses the needs of consumer segments (with respect to both a product category and to an appropriate symbol of self image) and then proceeds to develop and market a product or service that meets both the criteria.

**LESSON 30**

**CONSUMER MOTIVATION**  
**CHAPTER 5: INDIVIDUAL DETERMINANTS OF CONSUMER BEHAVIOR**

**Understanding:**

- Motivation as a Psychological Force
- Needs
- Goals
- Positive & Negative Motivation
- Rational vs. Emotional Motivation
- Types and systems of Needs
- Hierarchy of Needs

**Consumer Motivation**

Savvy companies define their missions in terms of consumer needs they satisfy rather than the products they make and sell. Consumers basic needs do not change but the products that satisfy them do. Corporate focus on developing products that will satisfy consumer's needs ensures that the company stays in the forefront of the search for new and effective solutions

Charles Revson was the builder of a Cosmetic Empire (Revlon). He started by manufacturing the nail polishes. He did so but first changed the definition of the nail polish for himself and for his consumers. His Nail polish **definition:** Nail Polish is a fashion accessory, not merely a nail covering. Revson's **Philosophy:** Induce women to use different shades of nail polish to match different outfits, moods and occasions. **Result:** Women started buying and using many different colors of nail polishes the same season rather than waiting for the bottle to end to buy one more and market vastly broadened for the product. Revson started introducing new nail colors every fall and spring. He used some heavy and effective advertising to persuade women that buying new colors would satisfy their needs to appear fashionable and attractive. Consequently he developed separate cosmetic lines targeting different consumer segments. Natural Wonder: Targeting the Youth Market. Marcella Borghese: High-class line with international flavor. Fire and Ice: Deep red polish.

Revson understood that he was not selling women the nail polish but fantasies that nail polish would attract attention and bestow class and glamour upon the user.

Motivation in the context of consumers may be best understood with the help of following concepts:

**1. Positive/Negative Motivation**

Driving force towards some object or condition is positive motivation. Driving force away from some object or condition. Some psychologists refer to positive drives as needs, wants or desires. Negative drives as fears or aversions. Even though the positive and negative drives seem to differ dramatically in terms of physical and sometimes emotional activity, they are similar in that they both serve to initiate and sustain human behavior

**Approach object:** is a positive goal towards which the behavior is directed and **Avoidance object** is a negative goal from which the behavior is directed away.

**2. Rational and Emotional Motivation**

**Rational Motivation** is consumers select goals based upon totally objective criteria such as size, weight, price or miles per gallon. **Emotional Motivation** implies the selection of goals according to personal or subjective criteria (e.g. pride, fear, affection or status)

**Needs**

Every Individual has needs some are innate others are acquired.

**Innate/Primary Needs**

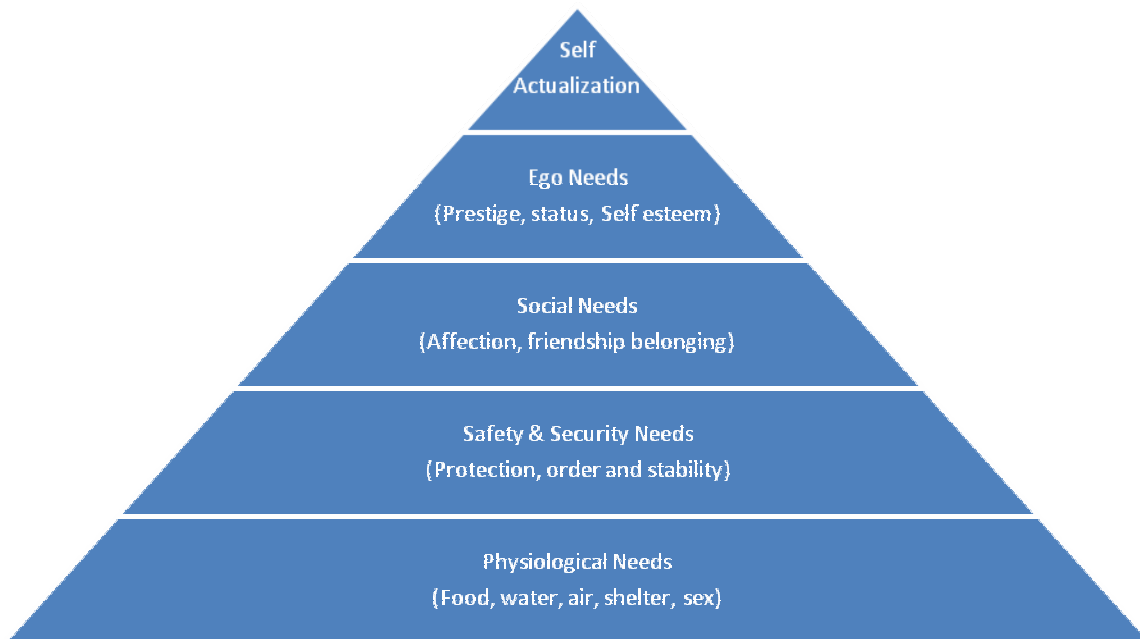
Physiological needs, the needs for food, water, air, clothing, shelter. They are needed to sustain the biological life

**Acquired /Secondary Needs**

Needs that we learn in response to our culture or environment. These may include needs for self esteem, prestige, affection, power and learning

**Types and Systems of Needs**

For many years psychologists interested in human behavior have attempted to develop exhaustive lists of human needs. Dr. Abraham Maslow, a clinical psychologist, formulated a widely accepted theory of human motivation based on the notion of universal hierarchy of human needs

**Goals**

Goals are sought after results of motivated behavior

**Types of Goals**

Two types of goals may be differentiated:

- Generic Goals
- Product Specific Goals

Generic Goals include general classes or categories of goals that consumers see as means to fulfill their needs. If a student tells his parents that he wants to become a doctor, he has stated a general goal. If he says he wants to get a medical degree from King Edward Medical College, then he has stated a specific goal. Individuals select goals on the basis of their personal values and they select means and (or behaviors that they believe will help them achieve their goals).

**Goal selection depends upon individuals:**

- Personal Experiences
- Physical Capacity
- Prevailing cultural norms and values
- Goal's accessibility in the physical and social environment
- Example: A girl aspiring to become an airline pilot

**LESSON 31**

**UNDERSTANDING LEARNING**  
**CHAPTER 5: INDIVIDUAL DETERMINANTS OF CONSUMER BEHAVIOR**

**Understanding:**

- The elements of Consumer Learning
- Motivation
- Cues
- Reinforcement
- Behavioral Learning theory
- Classical Conditioning

**Learning**

Marketers are concerned with how individuals learn because they want to teach them in their roles as consumers about products; product attributes how to maintain products, what are products' potential benefits, where to buy them, how to buy them, how to maintain them and how to dispose of them.

Marketers' vital interest lies in teaching consumers effectively to prefer their brands and differentiate their products from the competitive offerings.

Marketing strategies are based on communicating with consumers:

- **Directly** :through advertisements
- **Indirectly**: through product appearance and packaging, product distribution channels and, pricing

Marketers want their communication to be noted, believed, remembered and recalled by the target potential consumers segments.

**Learning about Learning**

Not all theorists agree on how learning takes place it is difficult to come up with a generally accepted definition of learning, however, Consumer Learning can be thought of as: The process by which individuals acquire the purchase and consumption knowledge and experience that they apply to future related behavior

Consumer learning is a process that continually evolves, and changes. The change is because of the newly acquired knowledge (gained from reading, discussion, observation and thinking or factual experience). Newly acquired knowledge and personal experience serve as feedback. Feedback provides basis for the future behavior in similar situations

**Intentional and Incidental Learning**

Intentional Learning is acquired as the result of careful search for information. Incidental Learning is acquired by accident without much effort. For example some ads may induce learning e.g. new products under familiar brand names, even the consumers attention may be on a magazine article rather than advertisement on the facing page. Other ads are sought out and carefully read by consumers contemplating a major purchase decision.

**Range of Learning**

The term learning encompasses the total range of learning from simple almost reflexive responses to learning abstract concepts and complex problem solving. All theorists agree that for learning to occur certain basic elements must be present. These include:

- Motivation
- Cues
- Response
- Reinforcement

### 1. Motivation

Motivation is the drive that impels an individual to action. Motivation is based on needs and goals. It acts as a spur of learning.

#### Involvement Theory

Men and women who want to take up bicycle riding for fitness and recreation are motivated to learn all they can about bike riding and practice often. Conversely, individuals who are not interested in bike riding are likely to ignore all information about bike riding. The degree of relevance or Involvement determines a consumer's level of motivation to search for knowledge and/or information about the product or service. This is called the Involvement Theory.

#### Implications for Marketers

Uncovering the consumer motivation is one of the prime tasks of marketers, who try to teach motivated consumer segments why and how their products will fulfill consumer needs.

### 2. Cues

If motives serve to stimulate learning, cues are the stimuli that give direction to these motives. An exotic trip that includes bike riding may serve as a cue for bike riders who may suddenly recognize that they need a vacation. The ad is the cue or stimulus that suggests a specific way to satisfy a salient motive. In the market, styling, packaging, and store display all serve as cues to help consumers to fulfill their needs in product-specific ways.

### 3. Responses

How individuals react to a drive or a cue – how they behave – constitute their response. Equally important, however, is that learning can occur even when responses are not overt.

Need or motive may evoke a whole variety of responses. Cues provide some direction but there are so many cues competing for the consumer's attention. Which response the consumer makes depends heavily upon previous learning that in turn depends upon how the previous response has been reinforced.

### 4. Reinforcement

Reinforcement increases the likelihood that a particular response will occur in the future as the result of particular cues or stimuli. A product that fulfills the basic need will reinforce the purchase behavior and the consumer will most likely purchase it again.

## Behavioral Learning Theories

Behavior Learning Theories are sometimes referred to as "Stimulus Response Theories". These are based upon the premise that observable responses to specific external stimuli signal learning. A child who relaxes at the image of his uncle has learnt the attachment with uncle. Behavior theories are concerned with inputs and outputs of learning. There are two types of behavioral learning theories popular with the marketers.

#### Types of Behavioral Learning Theories

Generally, there are two types of behavioral learning theories:

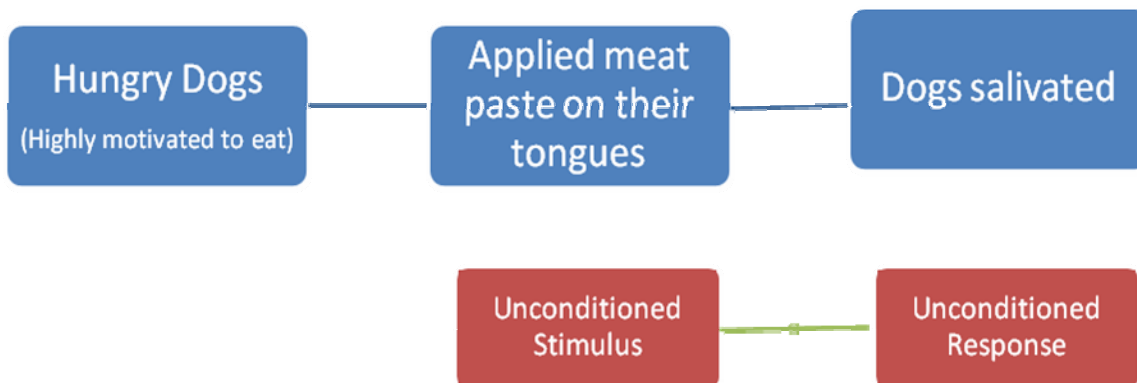
- Classical Conditioning
- Instrumental (Operant Conditioning)

**Conditioning** means response to a situation built up through repeated exposure. Ivan Pavlov, a Russian Psychologist, was the first to describe conditioning and to propose it as a general model of how learning occurs.

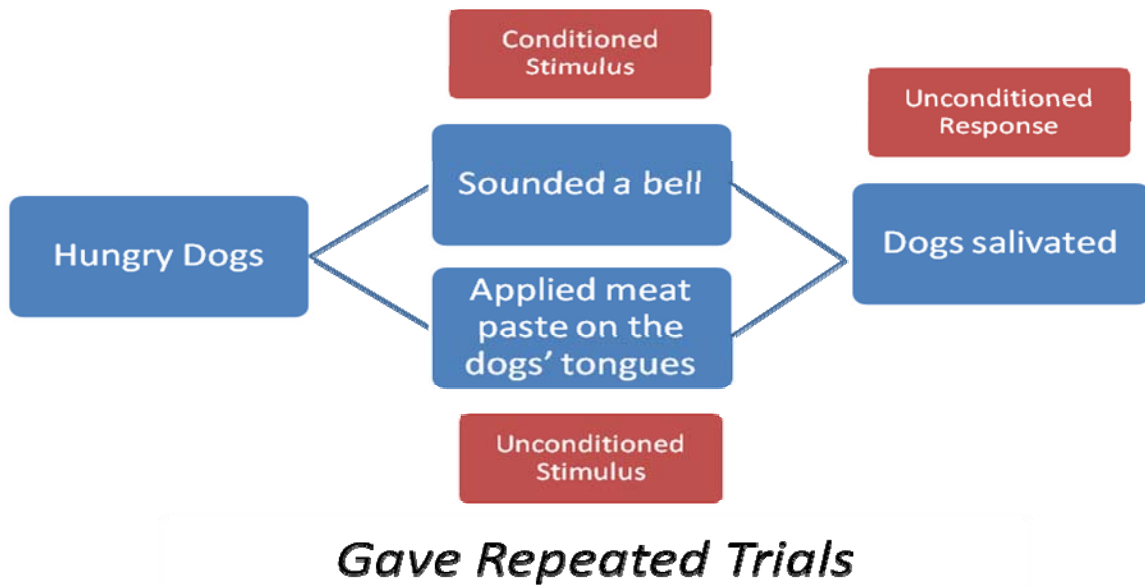
#### Pavlovian Experiment

Pavlov conducted his famous conditioning experiments in the following three stages:

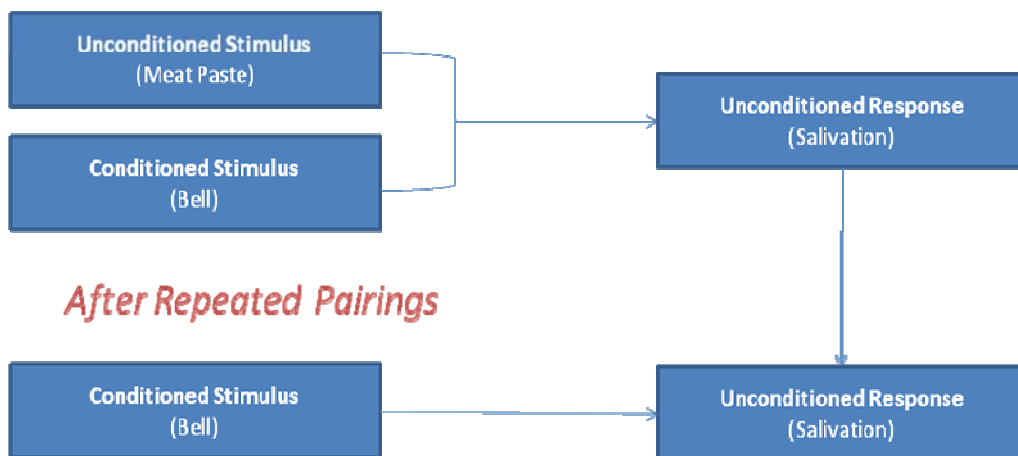
**Stage 1:** Unconditioned Stimulus and Unconditioned Response



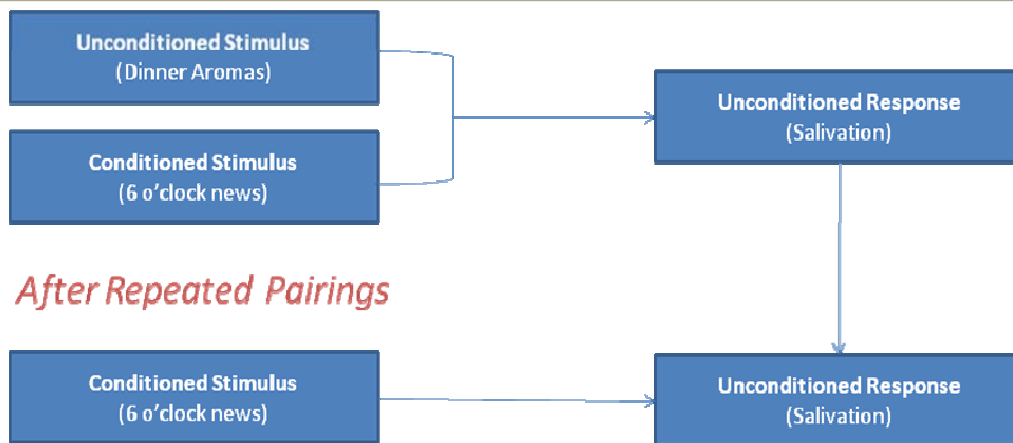
**Stage 2:** Repeated Trials of combining conditioned stimulus with Unconditioned Stimulus conditioned



Overview of the Experiment



Implications for Marketers



### Three Strategic Applications of Classical Conditioning

Three strategic applications of Classical conditioning include:

- Repetition
- Stimulus Generalization
- Stimulus Discrimination

#### 1. Repetition

Repetition increases the strength of association between a conditioned stimulus and a conditioned response. Researchers suggest there is a limit to repetition to aid retention. Some scholars believe that just three exposures to an advertisement are needed. This is called, **Three Hit Theory**

The three exposures to an advertisement pertain to:

1. Make consumer aware of the product
2. Show consumer the relevance of the products
3. Remind them of product benefits

Others think It may take 11 to 12 hits. Effectiveness of repetition may also be dependent upon the competitive advertising to which consumer is exposed. The higher the level of competitive advertising, greater is the likelihood that Interference will take place, causing consumers to forget previous information.

At some point individual can become satiated with numerous exposures. The effect is known as **Advertisement Wear Out**. To deal with this phenomenon following measures are usually used:

**Cosmetic Variations:** Using different backgrounds, different print types and different spokespersons while keeping the theme same

**Substantive Variations:** Changes in advertisement content across different variations of ads e.g. two ads that stress two different attributes of the same product

#### 2. Stimulus Generalization

Classical conditioning theorists believe that learning also depends upon Stimulus Generalization that means making the same response to somewhat similar stimuli as the conditioned stimulus

Dog could learn to salivate not only to the conditioned stimulus of bell but also to the jangling of keys

#### Implications for Marketers

**Me-Too** products are the cheap copies of some established brand of a product. Some times Me-too products succeed because of the stimulus generalization. Consumers confuse them with original products they have seen before. Many Cola drinkers can't differentiate between different brands



**3. Stimulus Discrimination**

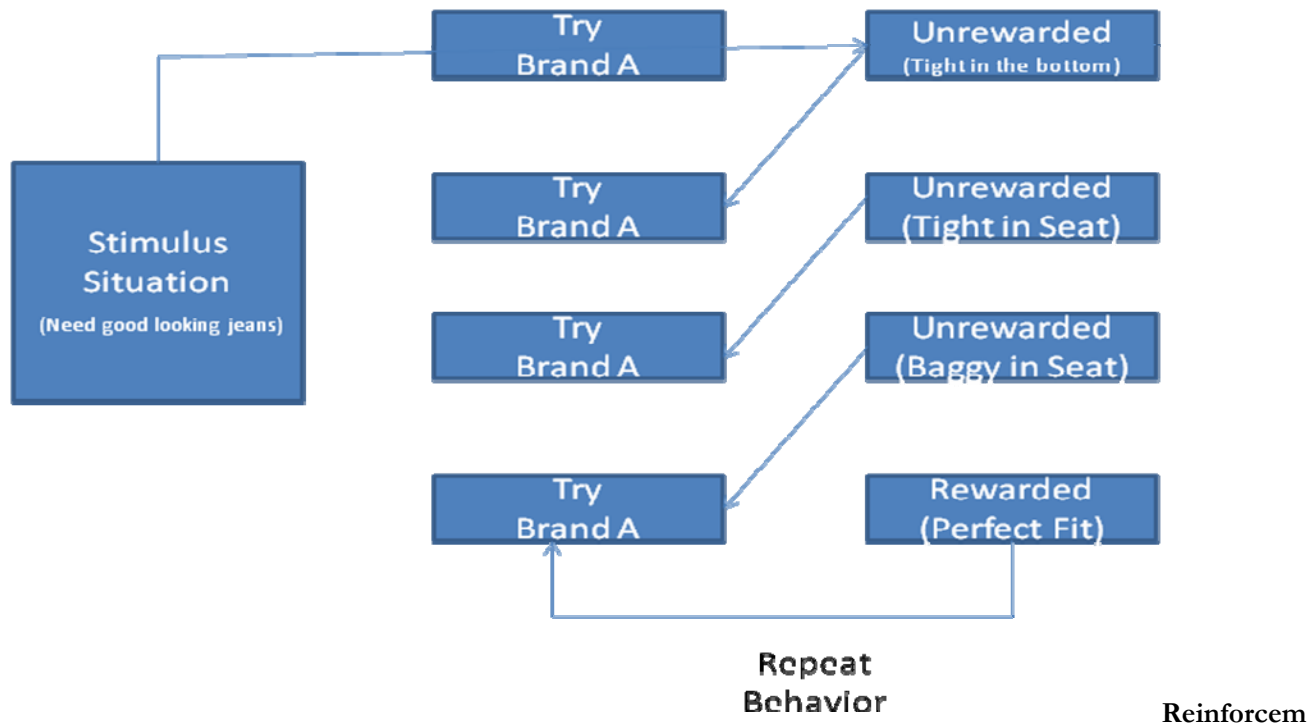
Stimulus Discrimination is the opposite of Stimulus Generalization and results in the selection of specific stimulus from amongst the similar stimuli. The consumers' ability to choose from amongst the similar stimuli is the basis of positioning.

**LESSON 32****INSTRUMENTAL CONDITIONING, INFORMATION PROCESSING AND MEMORY  
CHAPTER 5: INDIVIDUAL DETERMINANTS OF CONSUMER BEHAVIOR****Understanding:**

- Instrumental Conditioning
- Information processing and memory

**Instrumental (Operant) Conditioning**

Instrumental Conditioning theorists hold that stimulus that is linked to the most satisfactory response will be learnt. They believe that learning occurs through a trial and error process with habits formed as a result of rewards received for certain responses or behaviors. B.F. Skinner (a learning theorist) believed that most learning takes place in a controlled environment in which individuals are “rewarded” for choosing an appropriate behavior.

**Instrumental Conditioning at a Glance****Reinforcement of Behavior**

Two types of Behavior reinforcements are discriminated in Instrumental Conditioning:

**Positive Reinforcement**

Consists of the events that increase the likelihood of a specific response. An individual may purchase cosmetics to achieve a desired impact in physical appearance.

**Negative Reinforcement**

An unpleasant or negative outcome that serves to encourage a specific behavior. An individual may purchase Life insurance policy to avoid mishaps in the future.

**2. Information Processing and Memory****Cognitive Learning Theory**

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Learning based on mental activity is called Cognitive Learning. Human beings learn through problem solving which enables individuals to gain some control over their environment. Learning involves complex mental processing of information.

### **Information Processing**

Information processing relates to consumer's cognitive ability and complexity of information. Consumers process product information related in terms of a product's attributes, brand, comparisons between brands and a Combination of these factors.

The more experience a consumer has with a product category, the greater his/her ability to make use of product information. Greater familiarity with product also increases cognitive ability and learning during a new purchase decision, particularly with regards to technical information

A research study found that people exert huge cognitive efforts in processing information about products. They sometimes experience a process induced negative effect toward alternatives. So they are more likely to choose a product that required less effort to evaluate. The negative effect, however, did not influence product choice for a clearly superior product

### **Imagery**

Imagery is ability to form mental images. Individual differences in imagery may measured with the help of specific tests. Some of these tests are:

- Imagery Vividness
- Processing Style
- Daydream (fantasy) content and frequency

### **Learning by Analogy**

Some consumers learn by analogy. They transfer the knowledge about products they are familiar with to new or unfamiliar products in order to enhance their understanding.

### **How Consumers Store, Retain, and Retrieve Information**

It is important for Cognitive Psychologists to understand how people store, retain and retrieve information. Following concepts are used to understand the information processing:

- Sensory Store
- Short Term Store
- Long Term Store

#### **1. Sensory Store**

All data comes to us through our five senses. Senses do not transmit whole images. Each sense receives a fragmented piece of information and transmits it to the brain. In brain perceptions of a single instant are synchronized and perceived as single image in a single moment of time. The image of a sensory input just lasts for a second or two in the mind's sensory store. If it is not stored it is lost forever.

### **Implications for Marketers**

We are constantly bombarded with stimuli from the environment and we subconsciously block a lot of information that we don't need or cannot use. For marketers it means that although it is relatively easy to get information into the consumer's sensory store it is difficult to make a lasting impression

Brain automatically and subconsciously tags all perceptions with a value either "positive" or "negative". This evaluation added to the initial perception in the first micro second of cognition tends to remain unless further information is processed. This would explain why our first impressions tend to last and why it is hazardous for a marketer to introduce a product prematurely into the market

#### **2. Short term Store**

Short Term Store is known as working memory. The stage of real memory in which the information is processed and held just for a brief period of time. Information in the short term store undergoes the process of rehearsal.

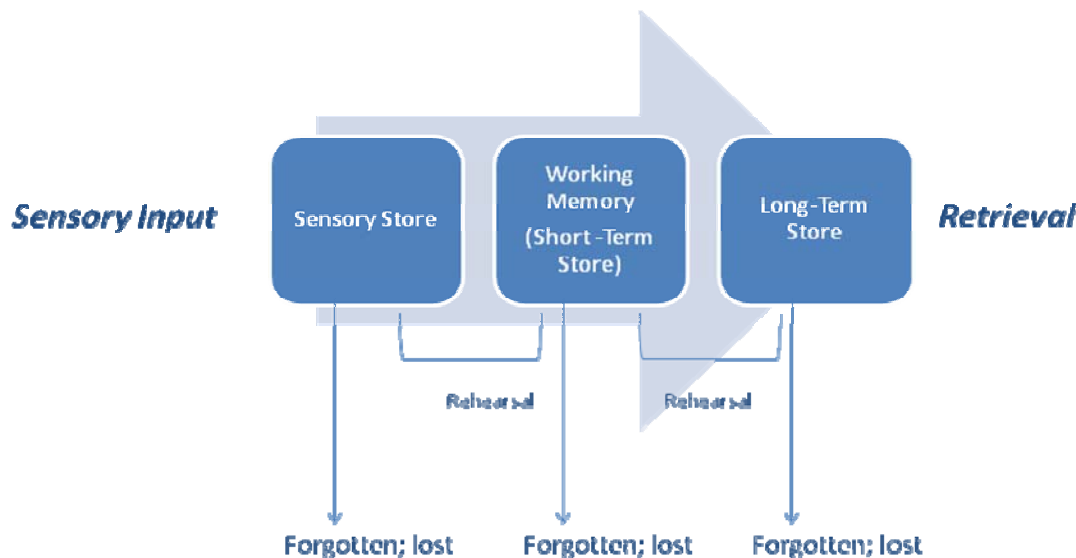
**Rehearsal** is the silent mental repetition of the information. It is then referred to the long term store.

The transfer from short term to long term store takes about 2-10 seconds. If the information is not stored or rehearsed it is lost in about 30 seconds or less. The amount of information that can be held in short term storage is limited to about 4 or 5 items.

### 3. Long Term Store

Long-term store retains information for relatively extended periods of time. It is possible to forget something within a few minutes after the information has reached in the long term store. It is more common for data in long term storage to last for days, weeks, months or even years. Almost all of us can remember the name of our first grade teacher.

#### Information Processing through memory Stores



#### Rehearsal:

The amount of information available from Short Term and Long Term Memory Storage depends upon how much rehearsal it is given. Rehearsal is done by repeating the information or associating it with something else. Information can also be lost because of competition for attention. If the short term store receives a great number of inputs simultaneously from the sensory store its capacity may be reduced to only 2 or 3 pieces of information.

#### Encoding

Encoding is the process by which we select a word or a visual image to present a perceived object. Marketers help consumers encode brands by using brand symbols such as role model cricketers or cartoons.

#### Retention

Information does not just sit in the long term memory store waiting to be retrieved. Information is constantly organized and reorganized as new links between chunks of information are forged.

#### Information Overload

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When the consumers are presented with too much information this is called Information Overload. Consumers may encounter difficulty in encoding and storing it all. Consumers can become cognitively overloaded when they are given too much information in a short span of time.

**Activation**

Information processing theorists believe that long term memory store is a network consisting of nodes (concepts) with links between and among them. As individuals gain more knowledge about a subject they expand their network of relationships and sometimes seek more information. This process is known as activation. Consumers' memory for the name of a product may also be activated by relating it to the spokesperson used in its advertising. The total package of associations brought to mind when a cue is activated is called a schema.

**Retrieval**

Retrieval is the process by which we recover information from the long term storage. When we are unable to remember something with which we are familiar we are experiencing a failure of retrieval system.

Marketers maintain that consumers tend to remember the products benefits than its attributes. Advertising messages are not effective when they link the product's attributes with the benefits that consumers seek from the product.

**Interference Effect**

The greater the number of competitive ads in a product category, the lower the recall of brand claims in a specific advertisement. This is called interference effect. Interference effects are caused by confusions by competing ads and make retrieval difficult. Ads can also act as retrieval cues for competitive brands. Advertising that creates a distinct image can assist in retention and retrieval of message contents

**ATTITUDES**  
**CHAPTER 5: INDIVIDUAL DETERMINANTS OF CONSUMER BEHAVIOR**

**Understanding:**

- Attitudes
- Attitude Research
- Characteristics of Research

**Attitudes**

**Attitude is a learned predisposition to behave in a constantly favorable or unfavorable way with respect to an object**

As consumers each of us has a vast number of attitudes towards products, services, advertisements, internet, etc... Whenever we are asked: Whether we like cable TV or Direct TV, Whether we like or dislike a product. We are being asked to express our attitudes.

Within the domain of Consumer Behavior, an appreciation of prevailing attitudes has considerable merit for Consumer Psychology. For example there has been rapid growth in the sales of natural ingredient bath, and other cosmetic products through out the world. This trend is linked to current popular “attitude”. Things natural are good and things synthetic are bad. In reality this evidence is not based on systematic evidence that natural products are any safer or better for consumers. To get to the heart of what is driving the Consumer Behavior attitude research has been used to study a wide range of topics.

**Attitude Research**

Attitude Research is frequently undertaken to determine whether consumers will accept a proposed new product idea, to gauge why a firm’s target audience has not reacted more favorably to its new product advertisement or to understand how target consumers are likely to react to a proposed change in the firm’s packaging design. All marketing activities are related to the task of impacting the Consumer’s Attitudes.

**Characteristics of Attitudes**

Following characteristics explain the nature of attitudes

- The attitude object
- Attitude are learned predisposition
- Attitudes have consistency
- Attitudes occur within a situation

**1. Attitude Object**

The word object in our consumer-oriented definition should be interpreted broadly to include specific consumption or marketing related concepts such as product, product category, brand, service, possessions, product use, causes or issues, people or advertisements. In conducting attitude research we tend to be object specific. For example if we are interested in learning about three popularly priced brands of watches our “object” may include:

- Seiko
- Fossil
- Casio

If we are examining attitudes towards major brands of computer printers, our “object” of study may include HP, Dell, Brother, and Epson

**2. Attitudes are learned predisposition**

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There is general agreement that attitudes are learned. This means attitudes relevant to purchase behavior are formed as a result of direct experience with product, word of mouth, information acquired from others, exposure to mass media advertising, the internet and various forms of direct marketing. It is important to remember that attitudes result from behavior they are not synonymous to behavior, instead they reflect either favorable or unfavorable evaluation of the attitude object

**3. Attitudes have consistency**

Attitudes are relatively consistent with the behavior they reflect; however, attitudes are not necessarily permanent. Attitudes do change

**4. Attitudes occur within a situation**

Situation means events or circumstances that at a particular point in time influence the relationship between attitude and behavior. A specific situation may cause individuals to behave in a way seemingly inconsistent with their behavior. For example if Ali purchases a different brand of toothpaste every time he runs low. Although his brand switching behavior may seem to reflect a negative attitude or dissatisfaction with the brands he tries, it actually may be influenced by a specific situation which in this case is Ali's wish to economize.

**LESSON 34**

**ATTITUDE FORMATION AND CHANGE**  
**CHAPTER 5: INDIVIDUAL DETERMINANTS OF CONSUMER BEHAVIOR**

**Understanding:**

- Attitude Formation
- Attitude Change

**Attitude Formation**

How do people, especially young people form their initial general attitudes towards clothing they wear, e.g. casual wear, and business attire? How do they form attitudes towards certain brands of clothing? How do friends and family members come to admire certain celebrities? Why some attitudes do seem to persist infinitely while others change fairly often?

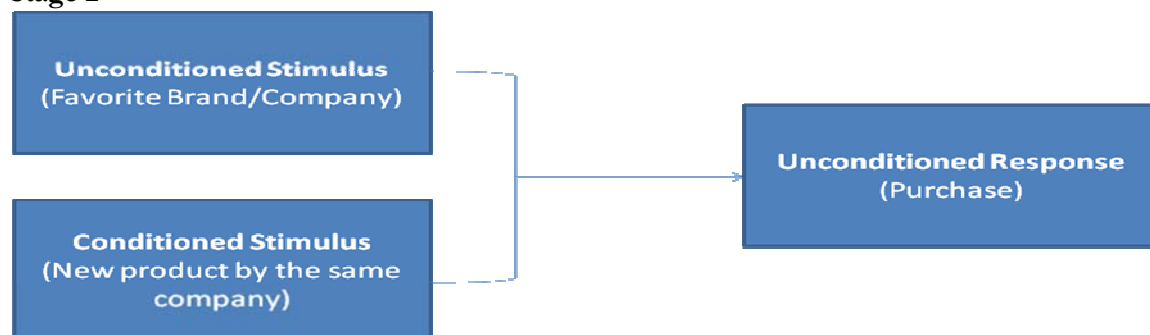
Our examination of attitude formation is divided into three areas:

- How attitudes are learned?
- Sources of influence on attitude formation?
- Impact of personality on attitude formation?

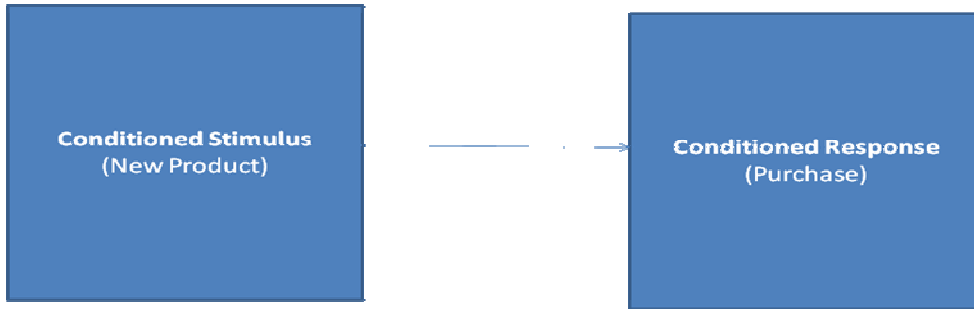
**How attitudes are learned?**

Attitude formation refers to the shift from having no attitude toward an object to having some attitude toward the object. The shift from no attitude to attitude formation is the result of learning.

Consumers often purchase new products that are associated with a favorably viewed brand. Their favorable attitude toward the brand is the result of repeated satisfactions with other products produced by the same company. The behavior can be explained in terms of classical Conditioning

**Stage 1****Stage 2****Stage 3: After Repeated Pairings**





### Attitude Formation without Prior Knowledge

Sometimes consumers purchase a product without prior knowledge or attitude towards it e.g. the last bottle of aspirin on the gas station min mart.

### Consumers Experiments

Sometimes consumers make trial purchases of new brands from product categories in which they have little personal involvement. If they find the purchased brand to be satisfactory, they are likely to develop a favorable attitude toward it

### Information about the Products

In situations in which consumers seek to solve a problem or satisfy a need, they are likely to form attitudes (either positive or negative) about products on the basis of information exposure and their own cognition (knowledge and beliefs). The more information consumers have about a product more likely are they to form attitudes toward it, either positive or negative. Regardless of available information consumers are not always ready or willing to process product related information

Formation of attitudes is strongly influenced by consumers' personal experience, influence of family and friends and direct marketing of the companies.

## Strategies of Attitude Change

Much of what is true about attitude formation is also true about attitude change. Attitude changes are learned and influenced by personal experience, sources of information, and personality.

Altering consumer attitudes is a key strategic consideration for marketers. Marketers who are fortunate enough to be market leaders and enjoy a significant amount of consumer goodwill and loyalty the overriding goal is to fortify the existing positive attitudes. The objective of the competitor marketers is to change the attitudes of the customers of the market leaders and win them over.

Attitude Change Strategies available to the marketers include:

- Changing the consumers basic motivational function
- Associating the product with admired group or events
- Resolving two conflicting attitudes
- Changing consumers beliefs about competitor's brands

#### 1. Changing the consumers basic motivational function

An effective strategy of changing consumer attitudes towards a product is to make particular needs prominent. One method of changing motivation is called **Functional Approach**

According to functional approach consumers attitudes can be classified in terms of four functions:

- a) Utilitarian function
- b) Ego-Defensive Function
- c) Value Expressive Function

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d) Knowledge Function

**a. Utilitarian Function**

Certain brand attitudes are held because of utility. When a product has been useful and helpful for us in the past, our attitude towards it tends to be favorable. One way of changing attitudes in favor of products is by showing people that it can serve a utilitarian purpose that they may not have considered. Dishwashing detergent bar that also keeps the skin of hands glowing and leaves its refreshing scent in your hands

**b. Ego-Defensive Function**

Most people want to protect their self images from inner feelings of doubt – they want to replace their uncertainty with a sense of security and personal confidence. Some Ads acknowledge this need of consumers to increase both their relevance to the consumer and likelihood of favorable attitude change by offering reassurance to the consumers' self images. For example

- A retailer of fashion clothing stresses in its headline:
  - When I believe in myself everything becomes possible
- A lighters manufacturing company countering the trends towards disposable lighters
  - True love is not disposable

**c. Value Expressive Function**

Attitudes are an expression of consumers' general values, lifestyle and outlook. By knowing the target consumers' attitudes marketers can anticipate their values, lifestyles or outlook and can reflect these characteristics in their advertising and direct marketing efforts. For example if consumer segments generally hold a positive attitude towards owning the latest designer jeans, then their attitudes towards new brands of designer jeans are likely to reflect that orientation. Similarly if a segment of consumers has an attitude towards being high tech then their attitudes towards thin wall mounted HDTV;s are likely to reflect this viewpoint.

**LESSON 35**

**ATTITUDE CHANGE STRATEGIES**  
**CHAPTER 5: INDIVIDUAL DETERMINANTS OF CONSUMER BEHAVIOR**

**Understanding:**

- Attitude Change Strategies
  - Associating the product with admired group or events
  - Resolving two conflicting attitudes
  - Changing consumers beliefs about competitor's brands

**Attitude Change Strategies**

Attitude Change Strategies available to the marketers include:

1. Changing the consumers basic motivational function
2. Associating the product with admired group or events
3. Resolving two conflicting attitudes
4. Changing consumers beliefs about competitor's brands

We discussed strategy no.1 in our last lecture. In this section we will study the remaining three strategies.

**2. Associating the product with admired group or events**

Attitudes are related at least in part to special groups, events or causes. It is possible to alter attitudes towards companies and their products, services and brands by pointing out their relationships to particular social groups, events or causes. For example a detergent powder advertising that a certain percentage of their profits will be going towards educating the poor children of the country.

A study found that both the brand and the cause benefit from such alliances. A low familiar cause benefits more from its association with a positive brand than a highly familiar cause.

Another research found that if corporate sponsors fail to explicitly indicate their motives for a company/cause or product/cause association, it is likely that consumer will form their own motive for the association between the company, product or service and the cause. The research indicates that it is good idea for a sponsor to reveal to target consumers the reasoning behind their sponsorship, so that consumers know their motives rather than form their own potentially inaccurate or negative motives.

**3. Resolving two conflicting attitudes**

Attitude change strategies sometimes resolve actual or potential conflict between two attitudes. If the consumers may be made to see that their negative attitude towards a product or a specific brand or attributes is not in conflict with another attitude. They may be induced to change their evaluation of a brand (from negative to positive). Usually detergent powders are effective in cleaning but these also cause a bad effect on the skin. Now in some countries seventh generation of natural dishwashing and laundry detergents is introduced. These are as effective as synthetic chemical cleaning agents and are safer because they are natural. For a person who cares about both effectiveness and environmental safety Seventh generation is attempting to resolve what might otherwise be conflicting attitudes.

**Multi attribute models**

Multi attribute models portray consumers' attitudes with regard to an attitude object (product, service, etc...) as a function of consumers' perceptions and assessments of the key attributes or beliefs held with regards to a particular attitude object. According to these models attitude change can be brought about in four ways:

1. Changing the relative evaluation of attributes
2. Changing brand beliefs
3. Adding an attribute
4. Changing the over-all brand rating

### 1. Changing the relative evaluation of attributes

The overall market for many consumer products is set out so that different consumer segments are offered different brands with different features. If detergent powder is a product category then one brand may stress potency and the other brand may stress gentleness.

In general when a product category is naturally divided according to distinct product features or benefits that appeal to a particular segment of consumers marketers usually have an opportunity to persuade consumers to “cross over”. That is persuading consumers to shift their favorable attitude from one version of the product to the other.

### 2. Changing brand beliefs

A cognitive oriented strategy for changing attitudes that concentrates on changing beliefs or perceptions about the brand itself - a most common form of advertising appeal. Advertisers are constantly reminding us that their product is “more” is “better” or “the best”.

- For example Dishwashing Liquid:
  - Palmolive dishwashing liquids are designed to extend consumers’ beliefs with regard to product’s gentleness by suggesting that it be used for hand washing of fine clothing items
- Bush’s Baked Beans
  - We couldn’t make our secret family recipe any better, so we made it easier (by placing it in a microwavable cup)

### 3. Adding an attribute

This strategy can be accomplished by adding an attribute that previously has been ignored or one that represents improvement or technological advancement.

For example previously ignored attribute Yogurt has more potassium than a banana (a fruit associated with high quantity of potassium) for a consumer looking to increase their potassium intake the comparison has the power to change their attitude from banana to yogurt. Another example may be of a refrigerator that has an advanced and unique water filtration system, a feature that reflects a company’s continued efforts to create innovative products.

### 4. Changing the over-all brand rating

Another cognitive oriented strategy that attempts to alter consumers’ overall rating of a brand directly, without attempting to change their evaluation of any single brand attribute. Such strategy frequently relies on some form of global statement that this is:

- “the largest selling brand”
- “the most awarded car ever”

### Changing Beliefs about Competitor’s Brands

This approach emphasizes the attitude strategy to change the consumers’ beliefs about the attributes of competitive brands. E.g. a pain killer advertises that no other pain killer works faster or stronger on muscle pain.

**INTRODUCTION TO CONSUMER DECISION MAKING  
CHAPTER 6: CONSUMER DECISION MAKING**

**Contents of Chapter No. 6**

**Input**

Marketing Input  
Socio-cultural Inputs

**Process**

Need Recognition  
Pre-purchase search  
Evaluation of Alternatives

**Output**

Purchase Behavior  
Post-Purchase Evaluation

**Introduction to Consumer Decision Making**

Usually the decisions consumers are face are somewhat like the ones mentioned below:

- What to buy?
- How much to buy?
- Where to buy?
- When to buy?
- How to buy?

Deciding what to buy is the most basic tasks. No buying activity may take place unless this fundamental decision is made. Here consumers' product or service decision may encompass

- Generic category of products (Electronic Equipment)
- Specific category of products (Computer)
- Brands Prices and Product features
- Specific Decision

Consumer must decide, e.g. how much rice to purchase, how much oil, how many cans of cold drinks? etc...

Two products although physically same are likely to be perceived differently because of other facets associated. Not all sales outlets are same, they may differ:

- Downtown or suburban stores
- Discount or full service stores
- Merchandise lines (full VS. Narrow Purchase a camera from a brand shops or a super store)

Consumers decide not only on the general type of store but also determine a particular store

The decision is influenced by such factors as:

- Urgency of need (medicine)
- Availability of the chosen item (cars)
- Store opening times (appliances before evening, clothes till late night)
- Period of sales and clearances
- Availability of transportation (Public transport or personal vehicle)
- Freedom of all family members to shop

Other concerns are to shop extensively or shop from the first outlet, pay cash or charge, have it delivered or take it home.

Consumer decisions vary considerably in their complexity. Simple decisions may be about purchasing food. Buying durable goods may be a complicated decision. Buying a home is too complicated.

### Decision Complexity

The nature of decision complexity may be understood with the help of following continuum of situations:



#### Routine Problem Solving (RPS)

When consumers purchase a brand they have purchased before It involves little or no information seeking. Consumers are brand loyal and purchase in a habitual, automatic and unthinking

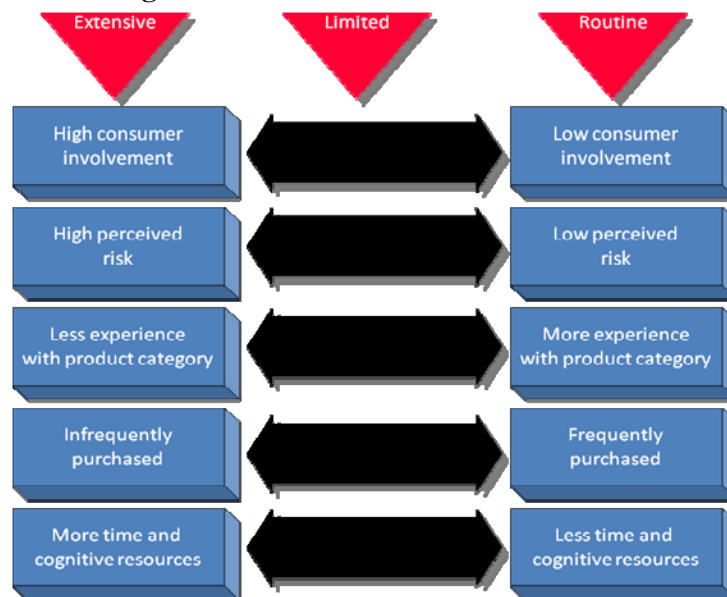
#### Limited Problem Solving (LPS)

When consumers buy a new brand in a familiar product category (e.g. new brand of jeans) It involves a moderate amount of information seeking and time in choosing.

#### Extensive Problem Solving (LPS)

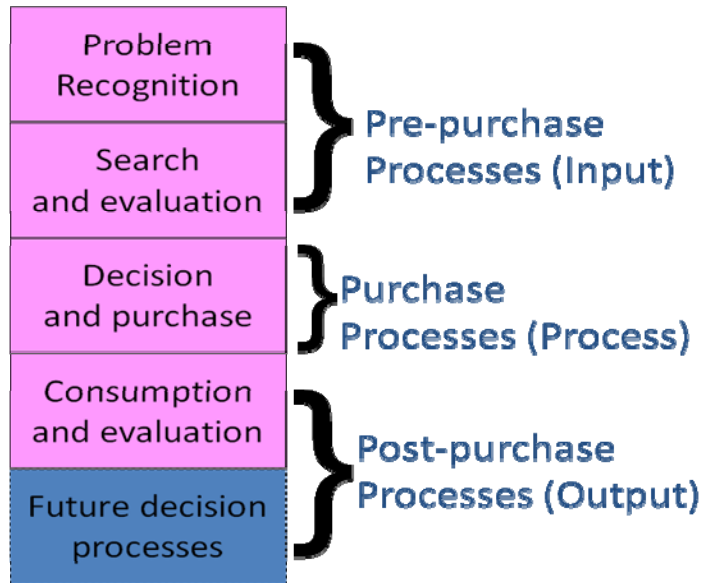
When consumers buy in an unfamiliar product category. It involves the need to obtain substantial information and a longer time to think. Consumers must form a concept of product category and determine the criteria to be used in choosing a brand.

#### The Dynamics of Problem Solving Continuum



### Consumer Decision Making Process

Consumer Decision making process may be understood in terms of the following three stages:



**LECTURE 37****Problem Recognition,  
Search and Evaluation and Decision and Purchase**

Understanding:

- Problem Recognition
- Search and Evaluation
  - Sources of Information for Consumers
  - Types of Search

**1. Problem Recognition**

Problem recognition results when a consumer recognizes a difference of sufficient magnitude between what is perceived as the desired state of affairs and what is the actual state of affairs, enough to arouse and activate the decision process.

**ACTUAL STATE:** The way in which a need is already being met

**DESIRED STATE:** The way a person would like the need to be met with

The motivation to resolve a problem depends upon two factors:

- Importance of the problem
- Magnitude of the discrepancy between actual state and desired state

The problem must be sufficiently defined if the consumer is to engage in meaningful behavior aimed at solving it. Consumer who runs out of milk or bread has clear definition of the problem

Situations exist in which there is clear problem recognition but vague definition of the problem for example a young man may feel that expression of a desired image is not right yet he is unable to define exactly what is wrong. In such case information search may be engaged in to more clearly identify the problem. The cases of problem recognition and problem definition may be complex

**Consumers Delaying Purchase Process**

At this stage sometimes consumers go on delaying the purchase process because of a number of factors such as:

1. Difficulty selecting the best brand
2. Time and pressure
3. Perceived Risk of Product Performance
4. Uncertainty
5. Task avoidance and unpleasantness

**2. Search and Evaluation**

Once consumers have recognized the existence of a problem they have to solve they move to next stage in the decision making process in which consumers search for more information.

In this context information is knowledge obtained about some fact or circumstance. Such knowledge is to be used in the context of consumer-behavior situation. Searching is a mental as well as physical information-seeking and processing activities which one engages in to facilitate decision making regarding some goal object in the market place.

**1. Sources of Information for Consumers**

At this stage there are two main sources of information for the consumers:



### **1. Firm's Marketing Efforts:**

This includes information gathered through the firm's marketing efforts in the following areas:

- Product
- Promotion
- Price
- Place/Channels of Distribution

### **2. Sociocultural Environment:**

Consumers also gather information from their sociocultural environment through:

- Family
- Informal Sources
- Non-Commercial Sources
- Social Class
- Culture and Subculture

Consumers undertake search in order to find out about:

- Products
- Prices
- Stores, etc...

## **2. Types of Search**

Search may be categorized into two main ways:

Based upon the source

- Internal search
- External search

Based upon the purpose

- Pre purchase search
- On-going Search

### **1. Search Based upon the source**

**Internal Search:** This is the first response of the consumer after the problem recognition - a mental process of recalling and reviewing the information stored in memory that may relate to the purchase situation

### **External Search**

This refers to the process of obtaining information from other sources in addition to that which can be recalled from the memory. Sources from which such information will be attained include advertisements, friends, salespeople, store displays, and product testing magazines.

Three sources information are important here:

- Attitudes expressed by the significant others
- Past exposure to Marketing efforts (Advertisements)
- Past Experience

### **2. Search Based Upon the Purpose**

#### **Pre-Search Decision Making**

This entails decisions, consumers make before actively engaging in external search for information (from family, friends or product information). When the decision process is initiated, consumers will rely on the stored information to help them make a variety of decisions before engaging in external information seeking

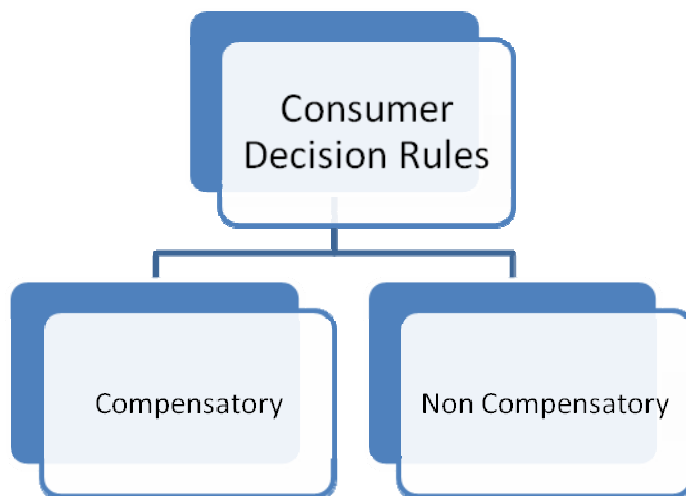
**Decision and Purchase****Understanding:**

- Consumer Decision Rules
  - Compensatory Decision Rules
  - Non-Compensatory Decision Rules
    - Conjunctive Decision Rules
    - Disjunctive Decision Rules
    - Lexicographic Decision Rules
- Output
  - Purchase Behavior
  - Post Purchase Evaluation
    - Beyond the Decision – Consuming and Possession
    - Relationship Marketing

**1. Consumer Decision Rules**

Consumer decision rules are the procedures used by consumers to facilitate brand (or other consumption related) choices. These rules reduce the burden of making complex decisions by providing guidelines or routines that make the process less taxing.

Two Categories of Consumer Decision Rules are:

**1. Compensatory Rules**

A consumer determines a brand or model options in terms of each relevant attribute and computes a weighted or summated score for each brand. The assumption is that consumer will select the brand that scores the highest among the alternatives evaluated. Compensatory decision allows a positive evaluation of a brand on one attribute to balance out a negative evaluation on some other attribute.

**2. Non-Compensatory Rules**

Non Compensatory Decision Rule does not allow consumers to balance positive evaluation of brand on one alternative with a negative evaluation of brand on another alternative.

***Types of Non-Compensatory Rules***

There are three types of Compensatory Rules

- a. Conjunctive Decision Making Rules

- b. Disjunctive Decision Making Rules
- c. Lexicographic Decision Making Rules

**a. *Conjunctive Decision Making Rule***

The consumer establishes a separate minimally acceptable level as cut off point for each attribute. If any particular brand or model falls below that cut off point on any one of the attributes the option is eliminated from further consideration. Conjunctive Decision rule can result in several acceptable alternatives. It becomes necessary for consumers in such cases to apply some additional decision rule to arrive at a final conclusion. To select the first satisfactory brand conjunctive rule is particularly useful in reducing the choices, after that consumers may apply another refined decision rule.

**b. *Disjunctive Decision Rule***

Disjunctive Rule is the mirror image of the conjunctive rule. In applying the disjunctive rule the consumer establishes a separate minimally acceptable cut off level for each attribute. This will further minimize the choices though still the choices will be more than one. Here the consumer may accept the first satisfactory alternative as the final choice or may apply another rule that may be more suitable.

**c. *Lexicographic Decision Rule***

The consumer first ranks the attributes in terms of perceived relevance or importance. The consumer then compares the various alternatives in terms of single attributes in terms of a single attribute that is the most important. If one option scores sufficiently higher on this top-ranked attribute it is selected and the process ends. When two or more options ranks sufficiently higher then the process is repeated on the second highest ranking attribute until the process ends.

***Implications for Marketers***

With the lexicographic rule, the highest ranked attribute (the one applied first) may reveal something about the individual's basic consumer orientation. *Buy the best* rule might indicate that consumer is *quality oriented, status oriented, or economy minded*.

***Consumers' Shopping Strategy***

According to shopping strategies consumers can be divided into following categories:

- ***Practical Loyalists*** – those who look for ways to save on the brands and products they would buy anyway.
- ***Bottom-line Price Shoppers***- those who buy the lowest priced item with little or no regard for the brand
- ***Opportunistic switchers***- those who would use coupons or sales to decide among the brands that fall within their evoked set
- ***Deal Hunters***- those who look for the best bargain and are not brand loyal

## 2. Output

Output portion of consumer decision making model concerns two kinds of closely associated post decision activities:

1. Purchase Behavior
2. Post Purchase Evaluation

**1. Purchase Behavior**

In studying the consumers' purchase behavior, it is important to understand what types of purchases consumers make.

**Types of Purchases**

Consumers make three types of purchases:

- a) Trial Purchase
- b) Repeat Purchase
- c) Long Term Commitment Purchase

**a) Trial Purchase**

When a consumer purchases a product (or brand) for the first time and buys a smaller quantity than usual this purchase would be considered a trial. Trial is the exploratory phase of purchase behavior in which consumers attempt to evaluate the product through direct use. For example when consumers purchase a new brand of laundry detergent about which they may be uncertain they are likely to purchase smaller trial quantities than if it were a familiar brand. Consumers may also be encouraged to try new product through such tactics as free coupons, samples and or sale price

**b) Repeat Purchase**

When a new brand in an established product category (toothpaste, detergent powder, cola drinks) is found by trial and found to be better than other brands, consumers are likely to repeat the purchase. Repeat Purchase is closely associated with the concept of **Brand Loyalty**

Most firms try to encourage brand loyalty because it contributes to greater stability in the market. Unlike trial in which consumer uses the product on a small scale and without any commitment, repeat purchase usually signifies that the product meets with the consumer's approval and that s/he is willing to use the product again and in larger quantities

Trial of course is not always feasible especially in case of durable goods. If consumers are purchasing refrigerators, electrical ranges, washing machines. Along with the selling of durable goods comes the concept of Display Centers.

Consumers can go to the cars display centers where they may sit in the car see every thing and may have a test drive also. This is to furnish their trial of the product. With the advent of the internet display centers are now also virtual (homes).

**c) Long-Term Commitment Purchase****2. Post Purchase Evaluation**

As consumers use a product during the trial purchase, they evaluate its performance in the light of their own expectations.

There may be three possible outcomes of the trial purchase:

- Actual performance matches the expectations, leading to a *neutral feeling*
- Performance exceeds expectation, causing what is known as *positive disconfirmation of expectations* (which leads to satisfaction)
- Performance is below expectations causing what is *negative disconfirmation of expectations* (which leads to dissatisfaction)

Important component of post purchase evaluation is the reduction of uncertainty; consumers might have had about the selection. As part of their post purchase analysis consumers try to re-assure themselves that their choice was a wise one.

In order to rationalize their decision they may:

- Seek advertisements that support their choice and avoid the ads of competitive brands
- They may attempt to persuade friends, relatives to buy the same brand
- They may turn to other satisfied owners

The degree of post purchase analysis depends upon:

- The importance of product decision
- Experience acquired in using the product

It would be logical to assume that customer satisfaction is related to customer retention. The findings however, show that retention may be more a matter of the brand's reputation – especially for products consumers find difficult to evaluate.

**Beyond the Decision – Consuming and Possessing**

Historically the emphasis of Consumer Behavior has been on product, service and brand choice decisions. Possessing, collecting and consuming things is another facet of Consumer Behavior. Consumer choices are the beginning of Consumption process not merely the end of consumer decision making process. Some possessions serve to assist consumer in their effort to create “personal meaning” and to maintain a sense of past.

**Relationship Marketing**

Relationship Marketing (Loyalty Programs) are used to foster usage loyalty and commitment to loyalty to company’s products and services. A real relationship marketing program is more than the use of database marketing tactics to better target the customers. The consumer must feel that he or she has received something for being a participant in the relationship.

Relationship Marketing programs have been used in a wide variety of products and service categories (retail credit facility). Many companies call their programs a club, and some even charge a program fee. Membership in a club may serve as means to convey to customers the notion of permanence and exclusivity inherent in committed relationship.

**LECTURE 39****Decisions Related to Post Purchase****Understanding:**

1. **Product Set up and Use**
  - a. **Providing Information and Assistance**
  - b. Providing Information and Assistance
  - c. Understanding the Consumer's Consumption System

**Decisions About Warranties****1. Decisions Related to Post Purchase**

Some very important Marketing Implications flow from Consumer Post Purchase decisions in the following two areas:

1. Product Set up and Use
2. Related Products and Services

**2. Product Set up and Use**

The marketing implications resulting from Consumer behavior related to Product Set up and Use are important in the following areas:

- a. Providing Information and Assistance
- b. Understanding the Consumer's Consumption System
- c. Decisions About Warranties

**a) Providing Information and Assistance**

Consumers may purchase durable goods from full service retailer or self service stores or ware houses

**Full Service Retailer:** is required to provide consumer with necessary information on how to carefully install the product as well as methods of operation

**Self Service Stores/Ware houses:** Consumers have to assume the responsibility of delivery and installation functions. Nevertheless, there might still be important need for the store to explain to the consumer proper installation and operation of the product.

**Importance of Information on Product Set up and Use**

The importance of information on product set up and use is highly critical in today's self service economy. If proper information is not provided to the consumer they must rely exclusively on whatever literature comes with the product. In such situations marketers need to assess if their product literature is readable and understandable.

**b) Understanding the Consumer's Consumption System**

Understanding how a product is used by the consumers, how a product fits into the consumer's consumption system is of fundamental importance to consumers. While understanding the consumption system it is important for the marketer to understand how the consumer performs the total task of whatever s/he is trying to accomplish when using the product. Marketers need to do this to:

- Make improvements in the product's quality and functions
- Suggest new uses for the product

**c) Decision about Warranties**

Warranty is a promise by the manufacturer or seller that the product or service is free from defects in materials and workmanship and that the problems will be corrected if failure occurs during the warranty period.

An effective warranty can offer several consumer benefits including the following:

- Providing assurance of product services/quality
- Increasing self confidence about product/service choice
- Reducing feelings of risk of ownership because of return and refund privileges

- Reducing dissonance because of warranty assurance of quality

### *Designing a Warranty Program*

#### **Designing a Warranty Program: Two Approaches**

<i>Strategy</i>	<i>Offensive: Maximize Profits</i>	<i>Defensive: Limit Liability and Costs</i>
Warranty Type	Replacement/Repair	Pro Rata
Warranty Length	Long	Short
Warranty Breadth	Broad	Narrow
Product Scope	Holds true for all items	Only for some items in the product line
Market Scope	World wide	Limited by country, state and channel
Coverage	Parts, labor and some consequential damages	Parts only
Conditions	Loose	Strict

### *Properly Administered Warranty Program*

A properly administered program should have the following components:

- Use simple, clear and easy to understand warranty wording (no complications)
- Encourage customers to use the warranty
- Clarify who will execute the program and what standards must be met (centers, personnel, etc..)
- Collect, analyze and use warranty information
- Constantly monitor consumer and dealer response to invoking warranty
- Promptly reimburse dealers or agents for warranty work
- Monitor and control costs

### *Warranties Influence on Consumers*

Warranties can produce positive effect on product evaluations as these act as powerful marketing tools when competition is tough. It also guarantees of satisfaction may be combined with the growing use of toll free numbers

### *Conditions for Strong Warranties*

Conditions for strong warranties include the following:

- The price of the product/service is high
- Customers egos are heavily involved (cars)
- Customers' expertise is low (computers)
- The negative consequences of failure are great
- The industry has a bad image for quality

- 
- The company depends upon frequent customer repurchases (related products)
  - The company's business is strongly affected by word of mouth



**LECTURE 40****Marketing Implications of Decisions Related to Post Purchase****Understanding:**

- Understanding Marketing Implications on Decisions Related to Product Set Up and Use

**1. Decisions Related to Post Purchase**

Once a consumer makes a decision to purchase a product there can be several additional behaviors associated with that decision. Two activities are of primary importance:

1. Decisions on the product's installation and use
2. Decisions on the products or services related to the items purchased

**1. Decisions on the product's installation and use**

All consumers who have purchased consumer durables are familiar with the need to have their product set up or installed. The product must be ready for the buyer to use for examples: cars, televisions, stereos, washing machines, air conditioners.

Many simpler types of products require very little efforts in the way of set up. Even apparently simpler types of products can be very complicated and frustrating for example kids' toys.

**Elements of Product Set up (installation and use)**

These include: instructions given to buyer for assembly and operation of the item, products such as autos, calculators, microwave ovens, etc... require detailed explanations as to the methods of operations. In order to win buyers satisfaction such brochures must be developed to provide sufficient instructional information. Additionally, there is warranty information that covers buyer's protection in case of product failure. This is increasingly significant element in today's high tech environment.

**Marketing implications of Decisions on product Set Up and Use**

Marketing implications of decisions on product set up and use are in the following areas:

1. Providing Information and Assistance
2. Understanding the user's Consumption System
3. Decisions About Warranties
4. Related Products and Services

**1. Providing Information and Assistance**

Providing information and assistance can be seen in the contexts of full service retailers as well as self service environments.

**Full Service Retailers:** provide the services of carefully installing and setting up as well as explaining the operation to the users in case of durable goods such as cooking ranges, large screen televisions, etc...

**Self Service:** or warehouse environment, the consumer might assume the responsibility of delivery and installation functions.

In any case there is an important need for the retailer to explain the customer the proper installation and operation of the product. Unless such activities are conscientiously undertaken, consumer dissatisfaction is likely to result. The consequence of dissatisfaction is likely to be poor word of mouth communications about the product, the retailer or both. Manufacturers need to select the retailers very carefully and the retailer needs to be considerate of such activities for the same reasons

The importance of information on product set up and use becomes even more critical in today's self service economy. Consumers are buying many complicated products from self service and discount outlets which may offer very little product information. As a result consumers have to rely exclusively on the literature that comes

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with the product. Consumer who fails to follow instructions with her microwave oven is likely to blame the manufacturer rather than herself

## **2. Decisions on related products and services**

It often happens that a buyer of one item becomes candidate for all sorts of options related to products or services e.g. cars, cameras, etc... Many retailers have learnt that big profits are often associated with optional extras that a consumer purchases.

**Post Purchase Evaluation****Understanding:**

- Post Purchase Evaluation
- Consumer Complaint Behavior

**1. Post Purchase Evaluation**

Consumer is uncertain of the wisdom of his decision; he rethinks this decision in the post purchase stage

Post purchase stage serves to broaden the consumer's set of experiences stored in the memory. It provides a check on how well he is doing as a consumer in selecting products, stores, etc... Feedback that consumer receives from this stage helps make adjustments in future purchasing strategies.

Satisfaction is an important element in the evaluation stage. Satisfaction refers to the buyer's state of being adequately rewarded in buying situations for the sacrifice he has made.

*Adequacy* of satisfaction is a result of matching actual post purchase and consumption experience with the expected reward from the brand in terms of its anticipated potential to satisfy the consumer's motives

*Hunt's definition:* Satisfaction is a kind of stepping away from an experience and evaluating it ... One could have a pleasurable experience that caused dissatisfaction because even though pleasurable, it wasn't as pleasurable as it was supposed or expected to be. So satisfaction/dissatisfaction is not an emotion, it is the evaluation of an emotion

**Consumers' Expectations Prior to Purchase**

Consumers form certain expectations prior to purchase. These include: the nature and performance of product/service (the anticipated benefits to be derived directly from the item). The costs and efforts to be expended before obtaining the direct product or service benefits and social benefits or costs accruing to the consumers as a result of purchase (the anticipated impact of the purchase on significant others).

**Determinants of Satisfaction**

Growing body of research suggests that there are several determinants which appear to influence satisfaction including:

- Demographic Variables
- Personality Variables
- Expectations

Some other important variables are:

- Men tend to be more satisfied than women
- The more confidence one has in purchase decision making and more competence in a given product area, the greater one's satisfaction tends to be
- Older consumers tend to have lower expectations and higher level of satisfaction
- Higher education tends to be associated with lower satisfaction
- There is also greater satisfaction when relevant others are perceived to be more satisfied
- Higher levels of product satisfaction are also indicated by persons who are more satisfied with their lives as a whole and by persons who are more satisfied with consumer domain that is market place, consumerism and business firms

**Relationship between Expectations and Performance**

The interaction between expectations and actual product performance produces either satisfaction or dissatisfaction. There, however, does not appear merely to be a direct relationship between the level of expectation and level of satisfaction instead a modifying variables is more important here.

### Disconfirmation of Satisfaction

When a consumer does not get what is expected the situation can be described as disconfirmation. **Positive Disconfirmation** occurs when what is perceived is better than what is expected. **Negative Disconfirmation** occurs when things turn out worse than expected.

Confirmation occurs if the expectations from a product are met

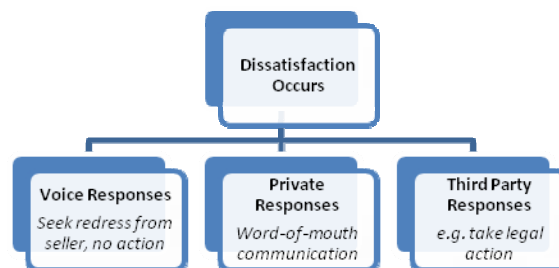
## 2. Consumer Complaint Behavior

Consumers may exhibit unfavorable word-of-mouth communication, if they are dissatisfied with a product. In this case, customers tell twice as many people about bad experiences as good ones and such behavior can severely damage a company's image. Consumers may not repurchase the brand.

Third action several generalizations exist from research on consumer complaining:

- Complainers tend to be of more upscale socio-economic groups than non-complainers
- The severity of the dissatisfaction or problems is positively related to complaint behavior
- Complaining is more likely when there is more positive perception of retailer responsiveness to customer complaints

### Model of Consumer Complaining Behavior



Consumers may complain not to seller but a third party such as news papers or legal system. They may engage in private CCB e.g. telling friends and relatives about their bad experience and changing their patronage. They may complain their voices to manufacturer or retailer involved or even take no action if they are loyal to seller and believe that complaining is pointless

**Post Purchase Dissonance****Understanding:**

- Post Purchase Dissonance
  - Conditions Leading to Dissonance
  - Dissonance Reduction
  - Marketing Implications
- Product Disposition - Alternatives
  - Factors Influencing Product Disposition

**1. Post Purchase Dissonance**

Consumer is uncertain of the wisdom of his decision; he rethinks this decision in the post purchase stage.

Consumers may become dissonant (inharmonious) over a purchase decision as a result of discrepancy between a consumer's decision and the consumer's prior evaluation

Dissonance theory was derived from two basic principles:

- Dissonance is uncomfortable and drive the person to reduce it
- Individuals experiencing dissonance will avoid situations that produce more dissonance

**Conditions Leading to Dissonance**

Dissonance is likely to occur under following conditions:

- Minimum threshold of dissonance is passed. Consumers may tolerate a certain level of inconsistency in their lives until the point is reached
- The action is irrevocable. Consumers may not reverse a decision when they have purchased a car
- Unselected alternatives have desirable features
- There are several desirable alternatives
- Available alternatives are quite dissimilar in their qualities
- The buyer is committed to his decision because it has psychological significance
- There is no pressure applied to the consumer to make the decision

**Dissonance Reduction**

There several ways in which consumer strives to reduce dissonance. These include:

1. Change the evaluation of alternatives
2. Seek new information to support his choice
3. Change his attitudes

**1. Changing Product Evaluations**

Consumer may reevaluate the product alternatives. This may be accomplished by consumer's enhancing the attributes of the product selected and decreasing the importance of unselected products' attributes, that is consumers seek to polarize alternatives to reduce dissonance. Consumers' reevaluating of the product alternatives make them view them as more similar than was thought at the purchase stage. Selective retention may allow consumer to forget positive features of the unselected alternatives and negative features of the selected product

**2. Seek new information to support his choice**

Consumers may reduce dissonance by seeking additional information in order to confirm the wisdom of their product choice. Dissonant individuals actively avoid information that would tend to increase their dissonance.

**3. Change his attitudes**

Consumers may change their attitude to make them consonant with his behavior. Consumers sometimes purchase a product they initially attributed to negatively through a promotional scheme. This may produce dissonance and to avoid it they may change their attitude. Motivation to achieve consonance will likely take the form of attitude change because that is easier than renouncing the product.

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**Marketing Implications****1. Confirming Expectations**

When the purchase confirms the consumers' expectations, reinforcement takes place. When expectations are not confirmed cognitive dissonance takes place and the consumer will be likely to reduce the dissonance by somewhat negative evaluation off the brand. Where a product fails to measure up to the expectations the result may be no initial sale, no repeat sale or unfavorable word of mouth communication.

The most important is that products meet the expectations of the consumers. Marketers should not build up expectations unrealistically. Today's advertisements may seem harmless exaggeration but it may build unrealistic expectations in the mind of the consumer as a result unfavorable word of mouth may spread about the product.

Advertisers should develop promotions that are consistent with what can the products reasonably deliver

**2. Inducing Attitude Change**

When attitudes are inconsistent with purchase behavior they are likely to change. Marketers may seek to induce behavior changes in consumer through various means. Promotional tools including free samples and saving coupons are frequently used.

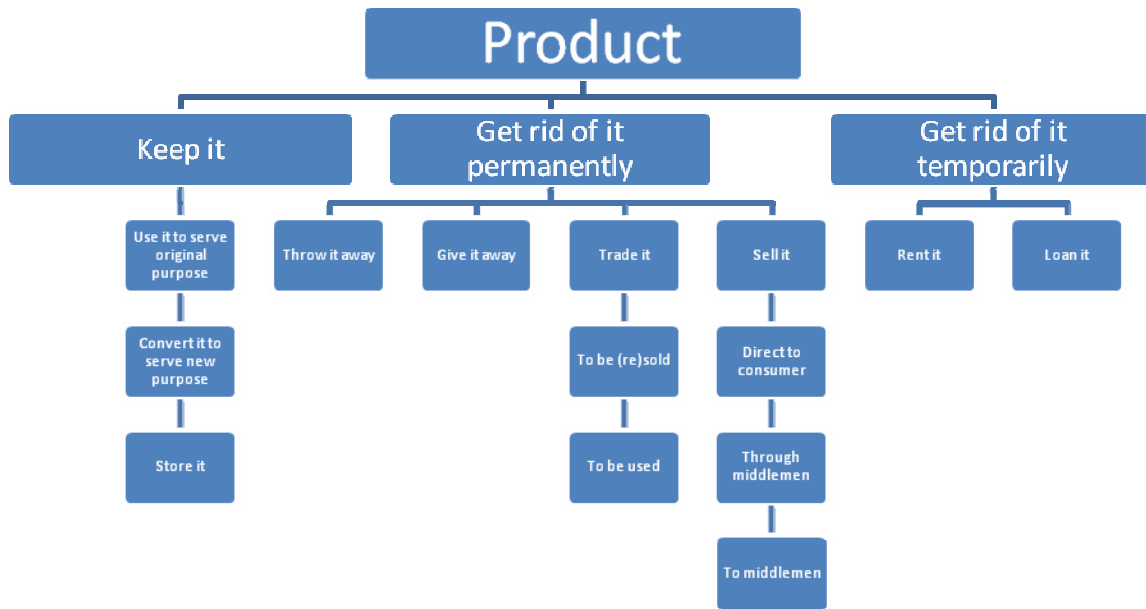
There is some evidence that smaller the incentive greater the dissonance and greater the attitude change. The small inducements force the consumer to confront his purchase behavior with a ready explanation for that. Large inducements may force the consumer to simply rationalize. A coupon of Rs 5 will produce more of the desired attitude change than a coupon of Rs. 10.

In case of free samples the acceptance of brand may never take place because the consumer could fail to expose herself fully to the attitude change from use of the sample. There may be an optimum value range over which promotional techniques produce desired attitude and behavior change. Beyond that point either too low or too high they may be relatively ineffective.

**3. Reinforcing the Buyers**

Consumers post purchase information seeking is usually the result of dissonance. It is prudent to develop special ads that will reinforce the buyers. Such an approach pays handsome dividends when targeting new buyers. This approach is especially good when company is launching an innovation.

3. Product Disposition - Alternatives



**Factors Influencing Product Disposition**

Factors that influence product disposition may include:

- Psychological Characteristics of the Decision Maker
- Factors intrinsic to the Product
- Factors intrinsic to the product (color, style, etc)
- Situational factors extrinsic to the product (finances, fashion change, etc..)

**LECTURE 43****Consumerism****Understanding:**

- Consumerism
  - Roots of Consumerism

## Nature of Consumerism

**Consumerism**

Consumerism encompasses the evolving set of activities of government, business and independent organizations that are designed to protect the rights of the consumers.

Consumerism is concerned with protecting consumers from all organizations with which there is exchange relationship. There are consumer problems associated with hospitals, libraries, schools, police forces, and various government agencies, as well as with business firms

**Roots of Consumerism**

Roots of consumerism may be traced through the following:

1. Disillusionment with the system
2. The performance gap
3. The consumer information gap
4. Antagonism toward advertising
5. Impersonal and unresponsive marketing institutions
6. Intrusions of privacy
7. Declining living standards
8. Special problems of the disadvantaged
9. Different views of the marketplace

Institutions have been subjected to increasing public scrutiny, skepticism and loss of esteem

Many consumers think that they get worst deals in the marketplace than they used to.

Many consumers express broad dissatisfaction with the goods they buy. Their expectations of product performance and reliability have risen (largely because of advertising touting the new improvements). Increased product complexity brings about new possibilities for malfunction and a perception by the consumers that the promise – performance gap is increasing.

Amateur buyers lacking time, interest or capacity to process information adequately in order to make optimal marketplace decisions face literally thousands of complex products requiring evaluations along many dimensions relating to performance, convenience or even societal concerns.

Large segments of population are very skeptical of the usefulness and truthfulness of the advertising information. It is criticized for its intrusiveness and clutter, irritation factor, stereotyped role portrayals, and promotion of unrealistic and unsupportable expectations. Telemarketing calls are a related annoyance. Where there is human or computerized voice on the other end, about 70% people ranked it as a major irritation

There have been impersonal and unresponding marketing institutions that have been causing such marketing factors as:

- The rise of self service retailing
- Reduced knowledge of sales employees



- Bureaucratic structures contribute to feeling that no marketer is listening

Development of many consumer-information databases made possible under our increasingly computerized society has caused concern over the access to and use of such data and has led to the attempts to protect the consumer's privacy

Reductions in consumers real discretionary income has led to pessimism and disenchantment with the economic system and attempts to deal with the situation

The young, the old and the poor are even more vulnerable than most other groups in the society and face great difficulties coping in the marketplace. Poor people face great difficulties that restrict their ability to function as consumer in the marketplace. Poverty restricts people's ability to function as ordinary consumers, but the face hygienic, dress and interpersonal problems.

Business people and their critics have radically different perceptions of the nature of marketplace

## 2. The Nature of Consumerism

The Nature of Consumerism may be summarized in the following points:

- Consumer Safety
- Consumer Information
- Consumer Choice
- Environmental Concerns
- Consumer Privacy
- Business Response to Social and Ethical Concerns
- Consumer's Responsibilities
- Market Responses to Consumers

### 1. Consumer Safety

The oldest and most controversial of the consumer's rights, the one which both business people and consumerists agree upon and support. Consumers regularly complain about shoddy or defective merchandise and poor services.

It is one thing to be cheated or deceived. It is quite another to be physically injured by unsafe product. Safety always is an issue for consumers, business and government.

### 2. Consumer Information

Consumers' rights with regard to information relate to the marketer's provision of adequate information which neither deceives nor misleads. Two areas are important here:

#### a. *Deception of Consumers:*

The deception of consumers is accomplished by deceptive advertisement. While dealing with deception then it needs not to prove that deception actually occurred in advertisement but merely that the ad had the capacity to deceive. It is also important for the advertisers to learn that they can't escape the liability simply because they didn't know that the ad's claim was false.

#### *Puffery in Advertisements*

Advertisements have long been designed on the basis of accepted approach of puffery – the use of exaggerated praise for an advertised item. The most difficult point here, however, is that at which point the puffery becomes deception.

On the basis of definition three types of deceptive advertising may exist:

- ***The outright lie:*** The outright lie occurs where a claim is made that is completely false, even from an objective point of view. That is it is impossible for consumers to achieve claimed benefit.
- ***Claim fact discrepancy:*** The claimed benefit of the advertised product must be qualified in some way for it to be correctly understood and evaluated but this I not done in the ad). An advertisement may claim

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that 60% doctors recommend “X” if consumers knew what types of doctors, how many were surveyed, what questions were asked.

- **Claim – fact interaction:** The advertisement claim (while being neither explicitly or implicitly deceptive) interacts with the accumulated belief and attitudes held by consumers in such a way that they are misled or deceived by it. An actor who played the role of a doctor in a popular play/movie recommends in an advertisement a certain product, people may think of him as an expert, if consumers are not told that he is in fact an actor

**b. Misleading the consumers:**

Misleading statements about the rivals’ products are also grounds for a suit

**3. Consumer Choice**

Some consumer activists argue that consumers have less choice than might be desirable and possible. Other consumer activists support reduced choice by arguing that consumers should be given not simply what they want, but what is the best for them. They support that buyers are not able to adequately determine for themselves that what is best in their interest and must be provided with right products.

**4. Environmental Concerns**

The right to clean environment assures that the environment in which the consumers live is free from pollution. Large scale pollution seems to be a by-product of an economically developed society, but it is also an area of great concern for many consumers

**LECTURE 44****Consumerism – Issues and Responses****Understanding:**

- Environmental Concerns
- Consumer Privacy
- Responses to Consumerism
  - Legislative Responses
  - Business Responses
- Marketers Responses

**5. Environmental Concerns****Environmentalism in the Middle East**

In the Middle East, the earliest known writings concerned with environmental pollution were Arabic medical treatises written during the "Arab Agricultural Revolution", by writers such as Alkindus, Costa ben Luca, Rhazes, Ibn Al-Jazzar, al-Tamimi, al-Masihi, Avicenna, Ali ibn Ridwan, Isaac Israeli ben Solomon, Abd-el-latif, Ibn al-Nafis.

They were concerned with air contamination, water contamination, soil contamination, solid waste mishandling, and environmental assessments of certain localities.

**Europe and USA**

In Europe, it was the Industrial Revolution that gave rise to modern environmental pollution as it is generally understood today. The emergence of great factories and consumption of immense quantities of coal and other fossil fuels gave rise to unprecedented air pollution and the large volume of industrial chemical discharges added to the growing load of untreated human waste. Environmentalism grew out of the movements, which were a reaction to industrialization, the growth of cities, and worsening air and water pollution.

In the United States, the beginnings of an environmental movement can be traced as far back as 1739, when Benjamin Franklin and other Philadelphia residents, citing "public rights," petitioned the Pennsylvania Assembly to stop waste dumping and remove tanneries from Philadelphia's commercial district

**Popular Environment Movement**

The 1990's was the decade of the environment. The "Green Movement" is a term borrowed from the name given to Germany's radical environmentalists. Green movement is growing significantly and marketers are seeking to cash in on an environmental awakening

**Environmentalists – A New Culture**

Environmentalist action has recently led to the development of a new subculture. It is mainly composed of the educated middle and upper-class. These environmentally conscious types take special pride in their sustainable consumption patterns, shopping at grocery stores that trumpet earth-friendliness (such as Whole foods) and buying organic products.

Some environmentalists complain that this group of elites is shopping under the banner of environmentalism without espousing any of its true ideals. Because organic and sustainable products are often more expensive, purchasing them has become a mark of wealth... is another form of pretension,

**6. Consumer Privacy**

Consumer information collected, merged and exchanged through computer and communication technologies has become the main resource that businesses and governments use to facilitate millions off transactions that engaged in by the consumers. Timely accurate and complete information is needed by a variety of organizations such as

banks, retailers, commercial lenders, mortgage lenders, financial services institutions, direct response marketers, advertising agencies, insurance companies and public utilities.

The purposes of consumer information may include such things as approving or denying credit, issuing credit cards, writing insurance policies, selecting people for direct mail solicitation, preventing fraud, determining eligibility for government aid, investigating and law enforcement purposes, and many other activities

Information given for one purpose – credit, insurance, employment, organizational memberships, publication subscriptions, charitable donations.etc is being widely used for other commercial purposes without the individuals' knowledge or consent

## Responses to Consumerism

Responses to consumerism may be understood in the following two main areas:

- 1) Legislative Responses
- 2) Business Responses
- 3) Marketers Responses

### 1) Legislative Responses

Historically legislation was oriented towards protecting competition and competitors rather than consumers. These days a large number of legislative attempts are being made by governments supported by the civil society organizations to support consumer rights.

### 2) Business Responses

The social and ethical responsibility of businesses has become a topic of much public debate. Many corporations have responded to their critics. These responses have three characteristics:

- Changes in Board of Directors
- More emphasis upon Ethics
- Use of social performance disclosures

**Changes in Board of Directors** Many board of directors now include outside directors such as influential academics, minority and religious leaders, who give society's views during decision making. Social responsibility and profits often complement each other. Some of the most profitable companies are often named as being the most socially responsible

**More emphasis upon Ethics** Corporate Ethics are difficult to define because they relate to individual philosophies and values. There however, needs to be an ethical base for making marketing decisions. There are a variety of theories that are relevant to marketing and consumer behavior. Two approaches are, however, most common:

- Relative Standards
- Absolute Standards

#### 1. *Relative Standards or Situation Ethics*

This also known as situation ethics or speculative philosophy. According to this view Ethics are subjective, situational, culturally determined and autonomous they are developed by the people on the basis of human experience. According to relative standards, correctness of a specific action depends upon specific circumstances involved.

Two forms of situational ethics have been important:

- **Utilitarianism:** Looks at the consequences of an act to decide whether it is morally right. This approach strives to achieve the most good for the greatest number of people

- ***Institutionalism:*** Institutionalism uses an individual's conscience to decide whether an act is ethical. This approach strives to satisfy individual's own feelings about right and wrong

### ***Objections to Situation Ethics***

There may be little agreement among the people as to what is morally correct thing to do. Decisions may appear to be arbitrary due to different situations. There may be uncertainty about the moral correctness of the decisions because of changing values over time.

### **2. *Absolute Standards***

Absolute Standards is known as moral idealism or moral revelation. The correctness of action depends upon permanent, rigid, universal rules or moral ideas which are to be applied whatever the circumstances. Such an approach is recommended by many philosophers today. It is upon such universals that businesses, marketers, and consumers ethical philosophy must be built.

Sometimes consumers take extremely novel responses to resolve their perceived injustices include e.g. one fellow burned his car on the front doorstep of a manufacturer because he was disappointed in it. A citizen smashed a vending machine with a fire axe when failed to function properly

### **3) *Marketers' Responses***

The number and seriousness of consumer problems suffered by general population is not significant. Only a small vocal minority of consumers complain about the problems they experience with products and services. Great majority of those complaints are registered about products and services are resolved to the satisfaction of consumers.

Business people must educate the public about the operation of the marketing system, the benefits of free enterprise, etc... They need to assess and modify their policies and practices to improve products and services offered to consumers. This highlights the need for an effective Consumer Response System that draws from the following features

- Understanding what consumers experience
- Establishing a Consumer Advisory Board
- Listening to consumers and responding effectively

Establishing corporate consumer affairs units

**LECTURE 45****Review – Consumer Psychology Course**

The lecture was a review of the entire course of the Consumer Psychology. It summarized the main concepts discussed in the following chapters:

**Chapter 1: Introduction to Consumer Psychology**

- Definition and Scope of Consumer Behavior
- The Marketing Concept
- Implementing the Marketing Concept
- The Role of Consumer Research
- Segmentation, Targeting and Positioning
- Customer Value, Satisfaction and Retention
- Consumer and Decision Making

**Chapter 2: Consumer Research**

- Consumer Research Paradigms
- Quantitative research
- Qualitative Research
- Combining Qualitative and Quantitative research findings
- Consumer Research process
- Developing Research Objectives
- Collecting Secondary Data
- Designing Primary research
- Data Analysis and Reporting research Findings
- Conducting Research Study
- Ethics in Consumer Research

**Chapter 3: Market Segmentation****What is Marketing Segmentation**

- How Market Segmentation Operates

**Bases for Segmentation**

- Geographic Segmentation
- Demographic Segmentation
- Psychographic Segmentation
- Socio-cultural Segmentation
- Use-Related Segmentation
- Benefit Segmentation
- Usage Situation Segmentation
- Hybrid Segmentation Approaches

**Criteria for Effective Targeting of Market Segments**

- Identification
- Sufficiency
- Stability
- Accessibility

**Implementing Segmentation Strategies**

- Concentrated VS. Differentiated Marketing
- Countersegmentation

## Chapter 4: Environmental Influences

### Culture

- What is Culture
- How Culture is Learnt
- Enculturation and Acculturation
- Language and Symbols
- Rituals
- Dynamic Culture
- Measurement of Culture

### Subculture

- Nationality subculture
- Age subculture
- Gender as subculture

### Social Class

- What is Social Class
- Measurement of Social Class
- The Affluent Consumer
- Middle Class Consumers
- Working Class and other non-Affluent Consumers

### Social Group

- Reference Groups
- Consumer Related Reference Groups
- Family

## Chapter 5: Individual Determinants of Consumer Behavior

### Personality

- The Nature of Personality
- Theories of Personality
  - Freudian Theory
  - Trait Theory
- Brand Personality
- Self and Self Image

### Motivation

- Motivation as a Psychological Force
  - Needs
  - Goals
  - Positive & Negative Motivation
  - Rational VS. Emotional Motivation
- Types and Systems of Needs
  - Hierarchy of Needs
  - Trio of Needs

### Learning

- The elements of Consumer Learning
  - Motivation
  - Cues
  - Response
  - Reinforcement
- Behavioral Learning Theories
  - Classical Conditioning
  - Instrumental Conditioning

## Chapter 6: Consumer Decision Process

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- Decisions
  - Levels of Consumer Decision Making
  - Extensive Problem Solving
  - Limited Problem Solving
  - Routinized Response Behavior
  - Views on Consumer Decision Making
  - Economic View
  - Passive View
  - Cognitive View

### **Chapter 7: Post Purchase Behavior**

- Behavior Related to the Purchase
  - Decisions on Product Set Up and Use
  - Decisions on Related Products and Services
- Post Purchase Evaluation
  - Consumer Satisfaction/Dissatisfaction
  - Consumer Complaint Behavior
  - Post Purchase Dissonance
- Product Disposition
  - Disposition Alternatives and Determinants

### **Chapter 8: Consumerism**

- The Evolution of Consumerism
- The Nature of Consumerism
- Ethical and Social Responsibility
- The Nature of Laws affecting Consumers
- The responsibilities of Consumers
- Developing a marketing organization responsive to consumers