

Unit-3 Consumer Behavior

Meaning of Consumer Behavior, Need & Significance of Consumer Behavior, Factors affecting the Consumer Behavior, Stages in Buying Decision Making Process, Organizational Consumers and their Buying Decision Making Process.

Meaning of Consumer Behavior

Consumer behavior is the study of how individual customers, groups or organizations select, buy, use, and dispose ideas, goods, and services to satisfy their needs and wants. It refers to the actions of the consumers in the marketplace and the underlying motives for those actions.

The study of consumer behaviour assumes that the consumers are actors in the marketplace. The perspective of role theory assumes that consumers play various roles in the marketplace. Starting from the information provider, from the user to the payer and to the disposer, consumers play these roles in the decision process.

1. According to Engel, Blackwell, and Mansard, 'consumer behaviour is the actions and decision processes of people who purchase goods and services for personal consumption'.
2. According to Loudon and Bitta, 'consumer behaviour is the decision process and physical activity, which individuals engage in when evaluating, acquiring, using or disposing of goods and services'.

NEED OF CONSUMER BEHAVIOUR

Buyer behavior is studied to predict buyers' reaction in markets. If a firm understands its customers, it becomes successful in the market place. The success of any business is based on understanding the consumer and providing the kind of products that the consumer wants. The consumer decides what to buy, when to buy and also what not to buy. One cannot thrust a product on a consumer. A marketer sells what the consumer wants. So, emphasis is placed on knowing what the consumers' wants are.

Studying consumer behavior is very much emphasized for the following reasons.

1. To satisfy need of customers

Consumers respond favorably while evaluating the products that best satisfies their needs. A marketer studies how consumers spend their available resources on the consumption of related items. It includes the study of what they buy, when they buy it, where they buy it and how often they use it. So, knowledge of consumer behavior will be of immense help to the marketer which will help to satisfy their needs.

He can understand the consumer's reaction to a firm's marketing strategies. It would help in planning and implementing marketing strategies.

2.Helps to understand consumer psychology

The study of consumer behavior enables the marketer to understand the psychology of consumers. Consumer psychology is based on his knowledge, attitude, intention and motive.

The psychology of customer develops on the basis of knowledge he has. Sales promotion plays an important role to provide the knowledge of the product to consumers.

Attitude is a state of mind or feeling. Attitude explains behavior. Intention means a desire to do something. A marketing programme is formulated only after understanding the intention of consumers. Motive is the integral state which directs the behavior of a person.

3. Helps to understand consumer motives

A study of the behavior of a consumer is essential to understand his/her buying motives. A motive is an urge for which an individual seeks satisfaction. In the words of R.S. Davar "a motive is an inner urge that moves or prompts a person to action".

Consumers have several motives. All these motives may not have the same intensity of purchase. Only a few motives prompt the consumer to buy a product or service. The study of consumer behavior involves both motives and purchases.

4. Helps to understand consumer choices

It is important for the marketer to understand how consumers make their choices. Human beings are usually very rational. They make systematic use of information available to them before they buy. A marketer studies the behavior of the customer and accordingly alters his presentation, enticing the customer to go for the product.

5. Helps to understand consumer preferences

A business firm which is ignorant of consumer preferences cannot succeed in the market place. According to Peter F. Drucker

“It is the consumer who determines what a business is”

Adam Smith has stated that consumption is the sole end and purpose of all production. So, a firm must plan its production and distribution to suit the needs of consumers. Thus, the extent of consumer understanding determines the effectiveness of marketing mechanism.

SIGNIFICANCE OF CONSUMER BEHAVIOUR

(i) Realistic Implementation of the Marketing Concept:

The modern marketing concept is consumer-oriented. To give a realistic implementation to this concept, a study of consumer behavior is imperative. More specifically, a study of consumer behavior is a must for developing an ideal marketing-mix; which is the cornerstone of the concept of marketing.

It is, in fact, very true to state that unless the marketer knows what consumers buy and why; it is not possible to design and implement a successful scheme of marketing-mix to, beat the complete elements.

(ii) Planning Product Differentiation and Market Segmentation:

For planning product differentiation strategies (i.e. making the product so differentiated and unique that consumer may be tempted to buy only that product due to its unique features); a study of consumer behaviour is very significant or necessary.

Again, for designing schemes of market segmentation (a process of dividing a potential market into distinct sub-markets of consumers with common needs and characteristics), a study of consumer behavior is very necessary.

As a matter of fact, the success of marketing management depends on designing schemes of product differentiation and market segmentation, the background data for which is furnished by a study of consumer behavior.

(iii) Selection of Distribution Channels:

A study of consumer behavior not only includes what consumers buy; but also the source from where they buy'. For example, men of status in society may never buy things from ordinary shops and ordinary markets. They may prefer to buy from prestigious stores and markets; even though they may have to pay a higher price and so on for various categories of consumers.

Thus a study of consumer behaviour guides the marketer to select suitable channels of distribution, to provide maximum convenience and satisfaction to different groups of consumers.

(iv) Designing Promotional Techniques:

Promotional techniques include advertising message and media, personal selling approaches and special sales promotional devices. Designing promotional techniques is much facilitated by a study of consumer behaviour; which may throw light on the psychology of people as to the factors which affect their buying decisions.

Those factors which affect consumers' buying behaviour may be suitably incorporated into the promotional techniques of the organisation.

(v) Trade-Off between Price and Quality:

A study of consumer behavior is likely to reveal whether target consumers of the enterprise emphasize more on the price of the product or its quality. On this basis, the marketer can device suitable pricing strategies and programmes aimed at upgrading the quality of organization's products to suit the needs, habits and behavior of consumers.

Factors affecting the Consumer Behavior

There are many factors affecting consumer behaviour. These all factors jointly shape consumer behaviour. Due to impact of various factors, consumers react or

respond to marketing programme differently. For the same product, price, promotion, and distribution, their responses differ significantly. The factors do not affect equally to all the buyers; they have varying effect on their behaviour. However, some factors are more effective, while others have negligible effect on consumer behaviour.

(A) Cultural Factors:

Cultural factors have the broadest and deepest impact on consumer behaviour. This set of factors mainly includes broad culture, sub-culture, and culture of social classes.

1. Broad Culture:

Culture is a powerful and dominant determinant of personal needs and wants. Culture can be broadly defined as: The way of living, way of doing, and way of worshiping. Culture determines the total pattern of life. Culture has a tremendous effect on needs and preference. People react according to the culture to which they belong.

Culture is reflected in terms of followings:

- i. Family life/social system
- ii. Role of women
- iii. Woman education
- iv. Approach to work and leisure
- v. Approach to life
- vi. Ethics in economic dealings
- vii. Residence pattern
- viii. Geographic factors
- ix. Impact of other cultures, and so on.

These all factors affect what, when, where, how much, from whom, and how many times the product should be purchased and used. Marketer must be aware of the

relevant cultural aspects, and marketing programme should be designed accordingly.

2. Subcultures:

Each culture consists of smaller subcultures. Each subculture provides more specific identification of members belong to it. Product and marketing programme should be prepared in light of subcultures to tailor their needs.

Subculture includes:

i. Nationality:

Every nation has its own unique culture that shapes and controls behaviour its citizens. For example, Indian culture, American culture, Japanese culture, Chinese culture, African culture, etc. Consumers of different nations hold different behaviour toward the company's products and strategies. The company can concentrate on one or more nations to serve.

ii. Religion:

It is a powerful determinant of consumer needs and wants. Every religion has its culture in terms of rules, values, rituals, and procedures that have impact on its followers. Commonly, consumer behaviour is directly affected by religion in terms of products that are symbolically and ritualistically associated with the celebration of various religious events and festivals/holidays.

iii. Racial Groups:

In each culture, we find various racial groups; each of them tends to be different in terms of needs, roles, professions, habits, preference, and use of products. Each group responds differently to marketing offers due to different cultural backgrounds.

iv. Geographical Regions:

Each geographic region represents specific culture and differs in terms of needs, preference, habits, usage rates, and uses of products. Clothing, residence, food, vehicle, etc., are determined by regional climate and culture.

3. Culture of Social Classes:

Social classes reflect differences in income, occupation, education, their roles in society, and so on. Every social class has its culture that affects behaviour of its members. Social classes differ in their dress, speech patterns, recreational preferences, social status, value orientation, etc.

- i. Upper-upper
- ii. Lower upper
- iii. Upper middle
- iv. Middle class
- v. Working class
- vi. Upper lower
- vii. Lower-lower

(B) Social Factors:

Here, we examine the effect of social factors on consumer needs and preferences (behaviour). Social factors affect consumer behaviour. Consumer response to product, brand, and company is notably influenced by a number of social factors – family, reference groups, and roles and statuses. Marketer needs to analyze these social factors of his target market to cater its needs effectively.

Some dominant social factors influencing consumer behaviour:.

1. Family:

Family is one of the most powerful social factors affecting consumer behaviour. This is more significant where there is joint family system, in which children use to live with family for longer time. Values, traditions, and preferences are transmitted from parents to children inherently. Family members constitute the most influential primary reference group. From family, its member acquires an orientation toward religion, politics, ambition, self-worth, love, respect, and so on. Need, preference, buying habits, consumption rate, and many other aspects determined by family affect one's behaviour.

2. Reference Groups:

Philip Kotler states: “A person’s reference group consists of all the groups that have a direct (face-to-face) or indirect influence on the person’s attitudes or behaviour.” Groups having a direct influence on the person are called membership groups.

Normally, following reference groups affect behaviour of their members:

i. Primary Reference Groups:

They are informal groups such as family members, friends, neighbors, relatives, and co-workers with whom the person interact fairly continuously. Habits, life-style, and opinions of these groups have direct impact on the person.

ii. Secondary Reference Groups:

They tend to be more formal groups such as religious groups, professional groups, trade unions or associations, etc., that affect buying decisions of an individual buyer.

iii. Aspiration (Aspired) Groups:

A person is not the member of such groups. But, he likes to belong to those groups. He imitates habits, preference and buying pattern of such groups. For example, college students imitate/like to belong to film stars, sportsmen, or professional groups.

iv. Dissociative (Disliked) Groups:

These reference groups include such groups whose values or behaviour a person rejects or dislikes. He tends to behave differently than those groups. A marketer should identify reference groups of his target market and should try to influence those groups.

3. Roles and Statuses:

A person plays various roles in many groups throughout his life. He has to play different roles in family, club, office, or social organisation. A role consists of the activities that a person is expected to perform. For example, a person is father for

his children, husband for his wife, son for his parents, friend for his friends, boss for his department, and a member of social organisation.

4. Social Customs and Traditions:

Social customs, beliefs or traditions can be associated with religion, caste, or economic aspects. Such customs determine needs and preference of products in different occasions and, hence, affect consumer behaviour.

5. Income Level:

Income affects needs and wants of consumers. Preference of the rich consumers and the poor consumers differ notably. In case of quality, brand image, novelty, and costs, there is wide difference between the rich and the poor buyers. Marketer must be aware of expectations of different income groups of his target market.

(C) Personal Factors:

Along with cultural and social factors, personal factors also affect one's buying decision. Personal factors are related to the buyer himself. These factors mainly include age and stage in life cycle, occupation, economic circumstances, life style, personality, and self-concept. Let us briefly examine the effect of personal factors on consumer behaviour.

i. Age and Stage in Life Cycle:

A man passes through various stages of his life cycle, such as infant, child, teenager, young, adult, and old. Need and preference vary as one passes through different stages of life cycle.

ii. Occupation:

Buying and using pattern of consumer, to a large extent, is affected by a person's occupation. For example, industrialist, teacher, artist, scientist, manager, doctor, supervisor, worker, trader, etc., differ significantly in term of need, preference, and overall buying pattern. Company can specialize its products according to needs and wants of special professional groups.

iii. Economic Circumstances:

Product preference, frequency of buying, quality, and quantity are largely affected by consumers' economic circumstances. Economic circumstances consist of spendable income, income stability, level of savings, assets, debts, borrowing power, and attitudes toward saving versus spending. People buy products keeping in mind these economic circumstances.

iv. Life Style:

People with the same culture, social class, and occupation may differ in term of their life style. Knowledge of life style of the target market is essential for marketer to design more relevant marketing programme.

It is generally reflected in terms of activities, interest, clothing patterns, status consciousness, spending and savings, helping others, achievements, working style, etc. Every product has potential to suit different life styles.

v. Personality:

Personality is a distinguished set of physical and psychotically characteristics that lead to relatively consistent and enduring response to one's environment.

Personality characteristics, such as individualism, difference, self-confidence, courage, firmness, sociability, mental balance, patience, etc., have a strong influence on needs and preferences.

vi. Self-concept:

It is also referred as self-image. It is what person believes of him. There can be actual self-concept, how he views himself; ideal self-concept, how he would like to view himself; and others-self-concept, how he thinks other see him. Person purchases such product that matches with his/her self-image. Marker must identify self-concept of his target buyers and must try to match the products with them.

vii. Gender:

Gender or sex affects buying behaviour. Some products are male-dominated while some are female-dominated. Male customers react to those products which are closely suit their needs and styles. Cosmetics products are more closely related to female customers than male. Marketer must be aware of gender-effect on buying behaviour of the market.

viii. Education:

Education makes the difference. Highly educated, moderately educated, less educated, and illiterates differ considerably in terms of their needs and preferences. In the same way, stage of education (like primary, secondary, college, etc.) affects buyers' behaviour.

Education factor seems more relevant to academic institutes, book publishers, magazines, and newspapers. Education affects one's mindset. Buyers' colour choice, quality-orientation, services, and other aspects have more or less educational significance.

(D) Psychological Factors:

Buying behaviour is influenced by several psychological factors. The dominants among them include motivation, perception, learning, and beliefs and attitudes. It is difficult to measure the impact of psychological factors as they are internal, but are much powerful to control persons' buying choice. Manager must try to understand probable role the factors play in making buying decisions.

i. Motivation:

It has a significant impact on consumer behaviour. Motivation is closely related to human needs. One has many needs at a given time. Some needs are biogenic or physiological in nature arising from physiological states of tension, such as hunger, thirst, or discomfort.

People hold one or more of following motives to buy:

- i. To satisfy basic needs like hunger, thirst, or love
- ii. To protect from economic, physical or mental hazards
- iii. To get social status
- iv. To be recognized or appreciated
- v. To be respected
- vi. To be self-actualized

vii. To avoid physical or mental stress

ii. Perception:

Person's motivation to act depends on his perception of situation. It is one of the strongest factors affecting behaviour. The stimuli – product, advertising appeal, incentives, or anything – are perceived differently by different people due to difference in perception. Marketer should know how people perceive marketing offers. Marketer should take these perceptual processes carefully while designing marketing programme. It is necessary that the product or marketing offer must be perceived in a way the market wants to be perceived.

iii. Learning:

Most human behavior is learned. Learning is basically concerned with experience of an individual. Learning can be defined as: Relatively permanent changes arising from experience. If an individual has satisfactory experience of buying and using the products, he is more likely to talk favorably or repeat the same. Most of purchase decisions depend on self-experience or experience of others, whose opinion carry value in buying decisions. Learning is produced through the interplay of drives, stimuli, cues, responses, and reinforcement. Learning theories help marketer to build up demand for the product by associating it with strong drives, using motivating cues, and providing positive reinforcement.

iv. Beliefs:

People hold beliefs about company, company's goods or services, and they act accordingly. Beliefs of the buyers affect product and brand image. We can define the term as: Belief is a descriptive thought that a person holds about something. Beliefs may be based on knowledge, opinion, or faith.

It is clear that people buy only if they believe it is worthwhile to buy. So, beliefs play decisive role in the buying decision. Marketer must try to know what type of beliefs people hold about company, products, and brands. Such knowledge must be incorporated in preparing an effective marketing programme.

v. Attitudes:

An attitude is a person's enduring favourable or unfavorable evaluations, emotional feelings, and action tendencies toward some object or idea. These emotional feelings are usually evaluative in nature. People hold attitudes toward almost everything, such as religion, politics, clothes, music, food, product, company, and so on.

Attitudes decide liking or disliking of object. People can judge good or bad, beautiful or ugly, rich or poor, or desirable or undesirable about an object, a product, or a person. Attitudes play a vital role in accepting or rejecting, appreciating or criticizing the product or brand.

Stages in Buying Decision Making Process

Buying process represent different stages through which the consumer goes through when he has to purchase something. After consuming the product the post purchase behavior is evaluated and a dissatisfied customer again has an unsatisfied need, and the process starts again. Each stage in the consumer buying process is a challenge to the marketer, for which he must have a careful understanding of behaviour before he develops the marketing programme.

The various stages in consumer buying process are:

1. Need Recognition: The starting point of the buying process is an unsatisfied need. It is the perceived want or desire that paves the way for next stage. As we know every customer has bundle of desire or needs, many of which are not satisfied. When such unfulfilled needs are identified, the buying process starts. It is important to note that need recognition should be of those needs without whose satisfaction, consumer is restless and under tension. He should feel that he has desire or need which has arisen and which needs to be satisfied.

2. Information Search:

For satisfying the need which has aroused, he has to look for suitable product which will best satisfy his needs. For this, consumer is willing to gather more information about the product. Alternative sources are there from where information can be gathered. He may contact his family, friends, colleagues, neighbours who are personal sources, or he may look for commercial sources like

– advertisement, retailers etc. or he may look at other people which constitute the public source. In this way before purchasing the product, he tries to collect the relevant information, as he is willing to satisfy this need.

3. Evaluation:

The desire to satisfy need, gives way to evaluation stage where the consumer try to evaluate the information he has received in the pre- purchase stage of information search. This is a stage of mental trial of the product by consumer. On the basis of the information received, he has number of alternatives before him, out of which he has to choose one.

His selection will be based on the relative worth of each alternative i.e. how suitable the product will be to satisfy his wants i.e. product's want satisfying potential. On the basis of factors like- product attributes, brand image, facilities, convenience, etc. he accepts or rejects the alternatives. His final decision to buy will depend upon the relative strength of the positive intention to buy.

4. Purchase Decision:

The positive decision or evaluation of product leads to purchase decision. This decision implies consumer's commitment for a product or a service. Here he purchases the product and exchange process is thus complete. Purchase can be trial purchase or adoption purchase.

Trial purchases are mostly done for non-durable goods where the consumer buys the goods for the first time. For consumer durable goods, adoption purchase is done because; these items are not purchased frequently. On consuming the goods, consumer may be satisfied or dissatisfied. Satisfaction leads to repeat purchase.

5. Post Purchase Reaction:

This stage is concerned with the behaviour of the consumer after he consumes the product. This post-purchase reaction may be positive or negative. If consumer is satisfied, repeat purchase may be there or he may recommend the product to other people. Dissatisfaction leads to anxiety and makes a person restless. He has a problem before him and again he tries to solve it by going for other alternative products or services.

A marketer help the buyer feel good about the product purchased. In order to reduce his anxiety about the product, the after-sale services are very important as it develops loyalty, increases sales and profit

Organizational Consumers and their Buying Decision Making Process.

Unlike the consumer purchasing decision process, which is 'mainly a series of mental stages, industrial purchasing decision making involves more physical and observable stages.

There are many decision makers involved in each of the eight stages as elaborated by the buy grid framework.

1. Phase 1: Recognition of a Problem:

The purchasing/buying process begins when someone in the company recognises a problem or need that can be met by acquiring goods or services.

The common events that lead to this phase could be:

- i. The company decides to develop a new product and needs new equipment and materials to produce this product.
- ii. It decides to diversify or expand and hence requires a multitude of new suppliers.
- iii. Purchasing Manager assesses an opportunity to obtain lower prices or better quality.
- iv. A machine breaks down and requires replacement or new parts.
- v. Purchased materials turn out to be unsatisfactory and the company searches for another supplier.

Early emolument in the new task/problem recognition phase offers the marketer an advantage over competitive suppliers.

2. Phase 2: Description of the need:

This phase involves determination of the characteristics and quantity of the needed item. The general characteristics could be reliability, durability, price etc. and the marketer along with the purchasing manager, engineers and users can describe the needs.

The questions that could be posed are:

- i. What performance specifications need to be met?
- ii. What types of goods and services should be considered?
- iii. What are the application requirements? and
- iv. What quantities would be needed?

The answers to such questions will give the marketer a general description of the need which will be the input for the next phase.

3. Phase 3: Product Specification:

Obtaining the input from the second phase, the buying organisation has to develop the technical specifications of the needed items. In this phase, the product is broken down into items. The items in turn are sorted into standard ones and new ones which need to be designed.

The specifications for both are listed. As a marketer, he must involve himself and his technical and financial counterpart to determine the feasibility and also to elaborate the services they can offer to develop and supply the product. Unless it is a known supplier many companies do not encourage the supplier participation at this stage. Customer relationship plays a vital role here.

4. Phase 4: Supplier Search:

This phase pertains to the search for the qualified suppliers among the potential sources. The marketer has to ensure that he is in the list of potential suppliers. For this to happen, he has to make periodic visits to all potential companies and create awareness. Brochures have to be circulated and advertisements placed in specific media like trade journals. This phase only involves making a list of qualified suppliers.

5. Phase 5: Proposal Solicitation:

The lists of qualified suppliers are now further shortened based on some critical factors. After evaluations, based on the specified criteria, some firms are asked to come over for formal presentations. The proposal must include product specification, price, delivery period, payment terms, taxes of experts and duties applicable, transportation cost, cost of transit insurance and any other relevant cost or free service provided. A supplier that satisfies these criteria then applies sample lot for approval. Once approved, the supplier becomes a 'select supplier' when it demonstrates high product uniformity, continuous quality improvement and JIT delivery capabilities.

6. Phase 6: Supplier Selection:

Each of the supplier's presentations are rated according to certain evaluation models. The buying organisation may also attempt to negotiate with its preferred suppliers for better prices and terms before making a final decision.

7. Phase 7: Order Routine Specification:

After the suppliers have been selected, the buyer negotiates the final order, listing the technical specifications, the quantity needed, the expected time of delivery, return policies, warranties etc. In case of maintenance, repair and operating items, buyers are increasingly moving towards blanket contracts rather than periodic purchase orders.

8. Phase 8: Performance Review:

The final phase in the purchasing process consists of a formal or informal review and feedback regarding product performance as well as vendor performance. The buyer may contact the end user and ask for their evaluations which are in turn given to the supplier. The performance review might lead to the buyer to continue, improve or drop a supplier. It is essential for a marketer to have a good relationship and always follow up any customer complaints as soon as possible.

