

"Consumer Behaviour"

Meaning & Nature:

Consumer behaviour is the study of how individuals, customers, groups or Organisations (prospective customers) select, buy, use and approve goods & services to satisfy their needs and wants.

By understanding what causes or motivates the consumers to buy particular goods and services the vendors (producers, sellers etc) are able to understand the pulse of the market and determine what products are needed by the customers and how best they could present their products before the consumers (prospective customers) to tempt (temptation) them or motivate them to buy their product.

Definition of Consumer behaviour given by eminent scholars
According to Engel Blackwell and Mansard

"Consumer behaviour is the action and decision process of people who purchase goods and services for personal consumption."

According to Louden and Bitta, "Consumer behaviour is the decision process and physical activity, which individuals engage in while evaluating, acquiring, using or disposing of goods & services."

Nature of Consumer behaviour:

1. Nature of Consumer behaviour is influenced by various factors
 - Marketing factors such as product design, price, promotion, packaging, positioning and distribution.
 - Personal factors such as age, gender, education and income level.

→ **Psychological factors** such as buying motives (very essential or less essential) perception of the product (own consumer's view on the product based on advertising, presentation, packing, brand etc) and attitudes towards the product (based on likes and views of our friends etc)

→ **Situational factors** such as physical & surroundings at the time of purchase (healthy surroundings positively affect consumers & vice versa) social surroundings (less number of customers or high number of customers) and **time factor** - winters, summers or pleasant climate.

→ **Social factors** such as social status, reference groups and family.

→ **Cultural factors** such as religion, social class - caste & subcaste like bangles are popular with females of India & not elsewhere

2. **Nature of consumer behaviour is not static, it changes with times.** For instance kids prefer colourful & fancy clothes. When they grow up as teenagers they prefer a different dress and when they are middle aged or senior citizens they prefer sober dresses.

3. **Varies from consumer to consumer based on their nature life style & culture.** Some people are extravagant & spend beyond their means while some are miserly in nature.

4. **Varies from region to region & country to country:**
The behaviour of urban consumers is different from that of rural consumers in their buying behaviour. The rich rural consumers think twice before spending on luxuries & the middle class of ~~the~~ urban population would not hesitate in such expenditures. In advanced countries where standard

of people is high air travel, four wheelers are no longer luxuries while in less developed countries even a two wheeler is a luxury & a status symbol.

→ Appropriate marketing decision depends on the following factors

(a) Product design / model

(b) Pricing of the product

(c) Promotion of the product

(d) Packaging

(e) Positioning (placing of product)

(f) Place of distribution (busy market or lonely market)

→ Leads to purchase decision:

A positive consumer behaviour leads to a purchase decision which generates a higher demand for the product & increased sales of the marketers. Marketers (sellers) need to influence consumer behaviour to increase their (buyers) purchases.

→ Varies from product to product and various age groups.

Teenagers would spend on products like smart cell phones & branded wears while a middle aged person may spend less on clothing & luxuries but prefer to invest money in savings.

→ Reflects status:

The consumers who own cars, air conditioners, watches, golden & diamond rings etc. provide them a higher social status and a sense of pride & honour. Hence they tend to acquire such products.

Factors Affecting Consumer behaviour.

1. Psychological Factors:

Human psychology is a major determinant of consumer behaviour. The chief ones are:

(a) **Motivation:** Every consumer has many needs, basic needs, security needs, esteem needs etc. Basic needs & security needs occupy a position above all other needs & they have the power to motivate a consumer to buy products & services.

(b) **Perception or impression:**

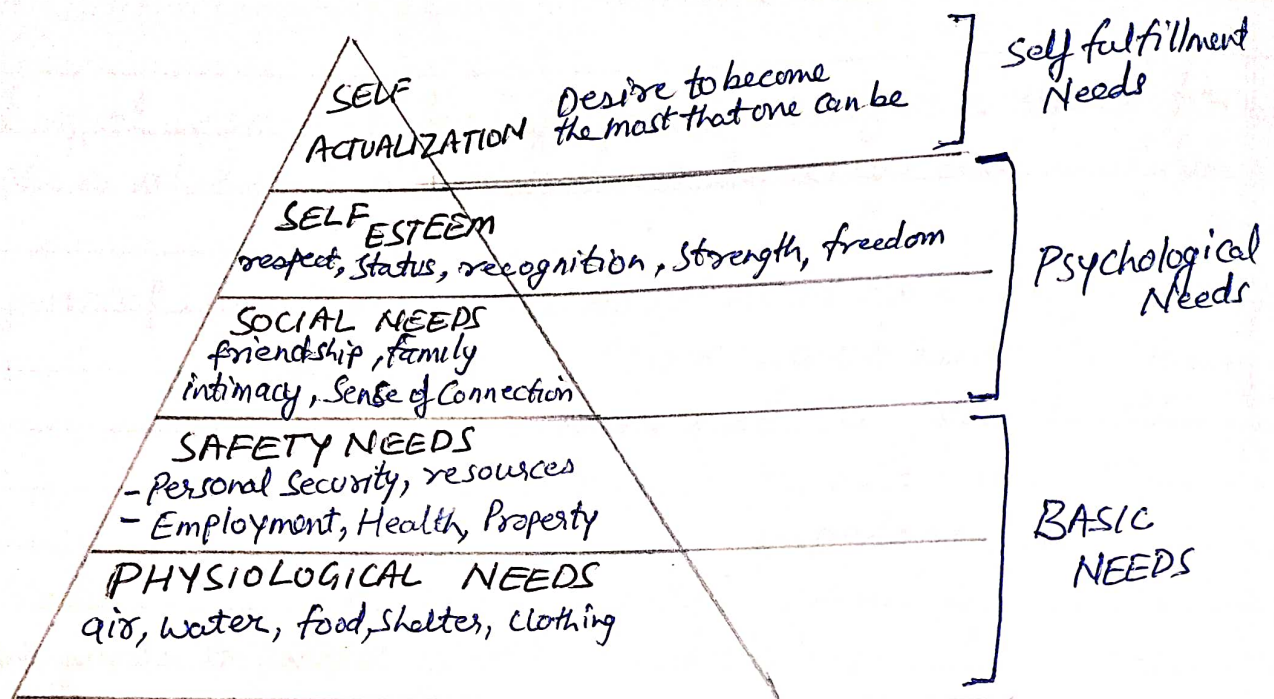
Advertisements, promotions, consumer reviews, social media feedback related to a product help in developing an impression of the product & so consumer perception becomes a great influence on the buying decision of consumers.

(c) **Learning or awareness:**

Learning comes over a period of time. Learning can be conditional or cognitive. In conditional learning consumer is exposed to a situation repeatedly thereby making a consumer to develop a response to it. For example a consumer buys sweets from Kanchan on several occasions & finds in all cases fully satisfied he develops affinity towards the shop. In cognitive learning the consumer applies his knowledge & skills to find satisfaction & a solution from the product that he buys. For instance: Honda Activa two wheeler's analysis provides an edge over other brands.

(d) **Attitudes & Beliefs:**

Attitude plays a significant role in defining the brand image of a product. Marketers try hard to understand the attitude of a consumer to design their marketing campaigns. For instance with rising prices of petrol, diesel & CNG, people's inclination is towards electric vehicles & now majority of four wheeler companies are working on developing it.



2. Social Factors

- Humans try to imitate other human beings and wish to be socially accepted in the society. The chief social factors are
- Family: A person develops preference from his childhood by watching family buying products of a particular brand etc & thereafter continues to buy them when they grow old, for example, buying Surf excel washing detergent powder.
 - Reference group: - It comprises of a group of people with whom a person associates himself or experiences of customers who have uploaded their experience on a product under consideration. When we refer to the experience on a food joint & find several people have given four or five star rating then a consumer can infer that food joint (say Royal Cafe) is worth visiting.
 - Roles and statuses:

A role carries activities that a person is expected to perform. Each role carries a status. A court Justice has more status than a Manager and a Manager has higher status than an office clerk. People choose products according to their role & status in society. A company President drives Mercedes, wears expensive suits, live in palatial building. Marketers are aware of the status symbol, potential of products & brands suited to them.

3. Personal Factors. Age & Stage in life cycle, Occupation & Economic Circumstances and life style:

Needs of a person changes with age and at different stages of his life. His tastes and habits change with age for clothes, luxuries & recreation etc. Marketers pay close attention to changing life cycle stages and their effect on consumption behaviour.

Occupation, Economic Circumstances and life style is a determinant of tastes, preferences of a section of society.

And marketers try to cater to the needs of such people. For instance Bata group has launched a premium brand 'Hush Puppies' & so on for this group.

4. Cultural Factors: When a person comes from a particular community, his/her behaviour is highly influenced by the culture relating to that particular community.

The women folk of Indian Community prefer Sarees-Blouse, muslim women use a veil to cover their entire bodies & those belonging upon western culture prefer western dresses.

Likewise it is true of eating habits. Some behave in vegetarian foods others prefer non-veg-preparations yet others love fast food & finally some will prefer western, Italian dishes.

5. Economic Factors:-

The consumer buying habits and decisions greatly depend on the economic situation of the country. In a prosperous nation where economy is strong, consumers have a higher purchasing power. When consumers experience a positive economic environment with variety of products, they are more confident to spend on buying products & vice versa.

The significant economic factors are:-

- Higher personal and disposable income.
- Higher family income influences products of luxuries.
- Consumer Credit in the form of credit cards, personal loans, hire purchase & other credit options enhance purchases of goods of comforts & luxuries.
- Amount of savings consumer wishes to set aside from his/her income. Higher savings discourage purchases.
- Liquid assets: bonds & securities that can easily be converted into cash available with consumer encourages purchase of items of comfort & luxuries.

Consumer Involvement & Decision Making

This theory is based on the concept that there are low and high involvement consumers and there are high & low involvement purchases. According to this theory consumer involvement depends on the degree of relevance of purchase to a consumer, the price of product and the income of the consumer & frequency of purchase. For instance if a consumer wants to buy a packet of tea or any grocery he does not feel very much involved because their life is short & if experience is not convincing next time some other brand can be purchased.

However this is not true with durables, fridge, washing machine, air conditioner or two or four wheelers or any land or building, the consumer is forced to use them for a pretty long period & they involve a large part of consumer's income. Hence in these products there is a high degree of involvement & so consumer takes a decision after a lot of enquiry, research & deliberations.

Factors deciding the degree of involvement :

- (i) Nature of the product or service
- (ii) The psychology of the consumer
- (iii) Perceived risks in buying a particular product.

Nature of the product or service :

Durables having a long life and involving a high level of expenditure for a common man have a high degree of involvement.

The psychology of the consumer :

A miserly sort of person have a high degree of involvement even for petty products & vice versa.

Perceived risks:

The higher the risks in buying a product the deeper is the involvement. An investor deeply involves while investing a large volume of money in any share but would not involve in deep involvement while investing in a Bank Time Deposit (FD) where risk is low.

"Chart showing Category of Involvement- in different cases"

Degree of involvement	Product/Service life	Examples
High	Long	Automobiles, operation of heart, insurance policy, admission of child in a school/college.
Medium	Medium	Furniture, Cooking Crockery, Orthopedical treatment, Fridge, a.c, washing machine
Low	Low or short life products	FMCG, courier service, treatment of fever, purchase of grocery, vegetables & fruits

"Decision making model" or 'Models of Decision Making'

Concept :

A decision making model is a process used to guide teams to make decisions that can benefit their companies. Each model uses different methods to help you to analyze and overcome a challenge. They offer different ways to think about a problem and identify potential solutions, which is useful for people with different learning styles or time constraints.

Importance :

Models provide useful steps for teams to follow to create solutions and describe their processes clearly to other team members. When everyone on a team understands the decision making model being used, they can more easily contribute to the thinking process for a balanced, successful solution.

Forms or Types of Decision Making Models :

1 → Rational decision model :

This model focuses on using logical steps to arrive at the best solution possible. It involves analyzing multiple solutions and to choose the one that offers the best quality outcome. This model is used when teams have enough time for meetings and research, by which they are able to create a list of potential solutions & discuss the pros & cons of each. Steps involved in this model are :

1. Define your goal you wish to achieve.
2. Determine the relevant information through research process or brainstorming (discussion) during a meeting; that is relevant to find a good solution to your goal.
3. Create a list of potential options for the goal with evidences.
4. Arrange the options by their value (likelihood of success).
5. Choose the best option.
6. Finalize your decision & take action.

2 → Intuitive decision model:

This model uses feelings and instinct to make decisions. Team leaders or managers use this model to make quick decisions based on previous knowledge of similar goals to determine a useful solution. Here following steps are followed:

1. Define your goal
2. Identify similar goals or obstacles
3. Identify ~~the~~ possible biases
4. Determine a usable solution
5. Finalize your decision and take action.

3 → Recognition-primed decision model:

It uses quick thinking and prior experience to make decisions, often in fast faced environments. The following steps are involved:

- Step 1. Define your goal
2. Consider relevant information & similar situations
3. Create a potential solution
4. Consider if the solution works
5. If needed change or modify the solution
6. Finalize your decision and take action.

4 → Creative Decision Model:

This model uses original ideas to create innovative solutions that achieve goals. This model is used to situations which you have never experienced before like new projects or production issues. Using this model typically requires flexible thinking to create successful, unique solutions. Here following steps are involved

1. Define your goal
2. Consider relevant information
3. Consider the information overtime by brainstorm sessions or deliberations with your colleagues
4. Create a usable solution
5. Finalize your decision & take action.