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CONSUMER BEHAVIOUR

SEMESTER - II

BUSINESS ADMINISTRATION

BLOCK - 2

KRISHNA KANTA HANDIQUI STATE OPEN UNIVERSITY

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POST GRADUATE DIPLOMA IN SALES AND MARKETING MANAGEMENT

CONSUMER BEHAVIOUR

Block 2

DETAILED SYLLABUS

Unit 8: Cultural Influences on Consumer Behaviour: **Page No. : 129 – 142**

Introduction, Characteristics of Culture, Values, Sub-cultures, Cross-cultural Influences, Cultural Differences in Non-verbal Communications

Unit 9: Social Class and Group Influences on Consumer Behaviour: **Page No. : 143 – 173**

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Unit 11: Situational Influence on Consumer's Decision and the Decision Models: **Page No. : 191 – 213**

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BLOCK INTRODUCTION:

This is the second block of the course 'Consumer Behaviour". The Block is divided into 6 units and is primarily a learner oriented Self learning material, as it satisfies the requirements of the learners in the filed of Marketing.

This block comprises of the following six units:

The first unit of this block that is eighth unit introduces us to Cultural influences on Consumer Behaviour

The second unit gives us a broad idea of Social Class and Group Influences on Consumer Behaviour

The third unit gives us an idea on Diffusion of Innovation

The fourth unit is about Situational Influence on Consumer's Decision and the Decision Models

The fifth unit gives us a broad idea of Consumer Decision-making Process

The sixth and the last unit of this block explains about Organisational buying behaviour.

Each unit of these blocks includes some along-side boxes to help you know some of the difficult, unseen terms. You may find some boxes marked with: "LET US KNOW". These boxes will provide you with some additional interesting and relevant information. Again, you will get "CHECK YOUR PROGRESS" questions. These have been designed to self-check your progress of study. It will be helpful for you if you solve the problems put in these boxes immediately after you go through the sections of the units and then match your answers with "ANSWERS TO CHECK YOUR PROGRESS" given at the end of each unit. This will help you in making your learning more active and efficient. And, at the end of each section, you will get "CHECK YOUR PROGRESS" questions. These have been designed to self-check your understanding.

The Block is devided into seven units:

Unit 8: Cultural Influences on Consumer Behaviour

Unit 9: Social Class and Group Influences on Consumer Behaviour

Unit 10: Diffusion of Innovation

Unit 11: Situational Influence on Consumer's Decision and the Decision Models

Unit 12: Consumer Decision-making Process

Unit 13: Organizational Buying Behaviour

UNIT 8: CULTURAL INFLUENCE ON CONSUMER BEHAVIOUR

UNIT STRUCTURE

8.1 Learning objectives

8.2 Introduction

8.3 Concept of Reference group

8.4 Consumer-relevant groups

8.5 Impact of Social class on consumer behaviour

8.6 Impact of culture on consumer behaviour

8.7 Impact of Subculture on consumer behaviour

8.8 Impact of Cross-cultural factors on consumer behaviour

8.9 Let us Sum Up

8.10 Further Reading

8.11 Answers to Check Your Progress

8.12 Model Questions

8.1 LEARNING OBJECTIVES

After going through this unit, you will be able to:

- define the Reference Group and Consumer Relevant Groups
- learn about Social Class and Its Impact on Consumer Behaviour
- discuss the Influence of Culture, Sub-culture, and Cross-cultural factors on Consumer Behaviour

8.2 INTRODUCTION

In the earlier unit we had discussed about attitude formation and change now in this unit we are going to discuss the various types of groups and the impact of Social class on consumer behaviour, the impact of culture on consumer behaviour, the impact of Subculture on consumer behaviour and the impact of Cross-cultural factors on consumer behaviour.

8.3 CONCEPTS OF REFERENCE GROUP

A group may be defined as two or more people who interact to accomplish either individual or mutual goals. It may be classified on the basis of regularity of contact, structure and hierarchy, by membership or size. A group may be primary and secondary group, formal and informal group, membership and symbolic group or a reference group.

If a person interacts on a regular basis with other individuals such as members of his/her family, neighbours or co-workers, then these individuals can be considered a **primary group**. On the other hand, if a person interacts only occasionally with such other persons, they may be considered a secondary group for that person. Another useful way to classify groups is by their formality, i.e. the extent to which the group structure, the member's roles and the group's purpose are clearly defined. If a group has a highly defined structure (for example, a formal membership list), specific roles and authority level (president, secretary, treasurer), specific goals, then it is a **formal group**. On the other hand, if a group is loosely defined—as for example three co-workers who, with their family members see each other frequently, then it is considered as an **informal group**.

Sometimes groups are classified by membership status. A group to which a person belongs or qualifies for membership is called a membership group. Association of senior citizens is a **membership group**. In contrast, a group in which an individual is not likely to receive membership, despite acting like a member by adopting the group's values, attitudes and behaviour, is considered a **symbolic group**. For example, the national cricket team may constitute a symbolic group for other cricket loving Indians, who identifies with the players by imitating their behaviour whenever possible.

From the marketing perspective, **reference groups** are groups that serve as frames of reference for individuals in their consumption decisions because they are perceived as credible sources. Reference groups influencing broadly defined values or behaviour are called **normative**

reference groups. An example of a child's normative reference group is the immediate family, which plays an important role in molding the child's general consumer values and behaviour, such as which foods to select for good nutrition, appropriate ways to dress for specific occasions etc.

Reference groups serving as benchmarks for specific or narrowly defined attitudes or behaviour are called **comparative reference groups**. A comparative reference group might be the upper-level executives at one's place of employment whose lifestyle, clothing and other possessions appear to be admirable and worthy of imitation by a person holding a lower managerial position.

Reference group appeals are used very effectively by some advertisers to segment their markets. Group situations or people, with whom a segment of the audience can identify, are used to promote goods and services by cleverly inducing the prospective consumer to identify with the pictured user of the product. This identification may be based on admiration (e.g., of a sports person), on aspiration (of a celebrity or a way of life), or on empathy (with a person or situation). In some cases, the prospective consumer thinks, "If he uses it, it must be good. If I use it I will be like her." In other cases, the prospective consumer says to himself/ herself "She/He has got problems I have got. What worked for him will work for me."

Three major types of reference group appeals in common marketing usage are *celebrity appeals, expert appeals* and *common man appeals*. These appeals are often used in the guise of testimonials or endorsements.

Celebrities, particularly the movie stars, TV personalities and sports heroes, provide a popular type of reference group appeal. To their loyal followers and to much of the general public, celebrities represent an idealization of life that most people would love to live. Advertisers spend huge sums of money to have celebrities promote their products in the expectation that the reading or the viewing audience will react positively to the celebrity's association with their product.

A firm that decides to employ a celebrity to promote its product

has a choice of using the celebrity to give a testimonial, to give an endorsement as an actor in a commercial or as a company spokesperson.

A second type of reference group appeal used by marketers is the *expert*— a person who, because of his or her occupation, special training or experience, is in a unique position to help the prospective consumer evaluate the product or service the advertisement promotes.

A Reference group appeal that employs the testimonials of satisfied customers is known as the *common-man approach*. The advantage of this common-man appeal is that it demonstrates to the prospective customer that someone just like him uses and is satisfied with the product or service advertised.

Reference group appeals offer benefits like higher brand awareness which serves to reduce perceived risk.

8.4 CONSUMERS-RELEVANT GROUPS

To understand fully the kind of impact that specific groups have on individuals, six basic consumer-relevant groups may be examined. They are *family, friendship groups, work groups, formal social groups*, and *shopping groups*.

a. **THE FAMILY:** A family is defined as two or more persons related by blood, marriage or adoption who reside together. The individuals who constitute a family are members of the most basic social group who live together and interact to satisfy their personal and mutual needs.

An individual's family is often in the best position to influence his or her consumer decisions. The family's importance in this regard is based upon the frequency of contract that the individual has with other family members and the extent of influence that the family members and the extent of influence that the family has on the establishment of a wide range of values, attitudes and behaviour.

The socialization of family members, ranging from young children to adults, is a central family function. In the case of young children,

this process includes imparting to children the basic values and modes of behaviour consistent with the culture. These generally include moral and religious principles, interpersonal skills, dress and grooming standards, appropriate manners and speech, and the selection of suitable and occupational or career goals.

The aspect of childhood socialization that is particularly relevant to the study of consumer behaviour is consumer socialization. This is the process by which children acquire the skills, knowledge, attitudes and experiences necessary to function as consumers. Preadolescent children acquire their consumer behaviour norms through observation of their parents and older siblings, who function as role models and sources of cues for basic consumption learning. Indeed, children perceive their families as a close and reliable source of information, in contrast with other sources of information, such as advertising. On the other hand, adolescents and teenagers are likely to look to their friends for models of acceptable consumption behaviour.

The socialization process is not confined to childhood only but it is an ongoing process. Socialization begins in early childhood and extends throughout a person's entire life. For example, when a newly married couple establishes their own household, their adjustment to living and consuming together is part of this continuing process. Similarly, the adjustment of a soon-to-be-retired couple who decide to move from one place to another is also part of the ongoing socialization process.

Though the family is the basic decision-making unit, the attitudes and behaviour of the one family member who is the major decision maker must be examined. In many cases, the actual user and the likely purchaser is not the same person. In this case, by examining both the user and the purchaser, the marketer obtains a clearer picture of the consumption process.

A family's decision-making style is often influenced by its social class, life-style, role orientation, and the stage in the family life cycle,

and by the product importance, perceived risk, and time constrains of the purchase itself.

b. **FRIENDSHIP GROUPS:** Friendship groups are typically classified as informal groups because they are usually unstructured and lack specific authority levels. In terms of relative influence, after an individual's family, his or her friends are most likely to influence the individual's purchase decisions.

Seeking and maintaining friendship is a basic drive of most people. Friends fulfill a wide range of needs: they provide companionship, security and opportunities to discuss problems that an individual may be reluctant to discuss with family members. Friendships are also a sign of maturity and independence, for they represent a breaking away from the family and the forming of social ties with the outside world. The opinions and preferences of friends are an important influence in determining the products or brands a consumer ultimately selects. Recognizing the power of such peer group influence, the marketers of products such as branded clothing, fine jewelry, soft drinks etc. frequently depict friendship situations in their advertisements.

Consumers are likely to seek information from those friends whose values or outlooks are similar to their own. Greater the similarity, the more they are likely to be influenced by their judgment in arriving at a purchase decision.

c. **WORK GROUP**: People spent a major amount of time at their work. This provides ample opportunity for work groups to serve as a major influence on the consumption behaviour of its members. Both the formal work group and the informal friendship/work group have the potential for influencing consumer behaviour. The formal work group consists of those individuals who work together as a team. Their direct and continuous work relationship offers substantial opportunity for one or more members to influence the consumption-related attitudes and activities of other team members. Informal friendship/work groups consist of people who have become friends as a result of working for the same employer. Members of informal

work groups may influence the consumption behaviour of other members during tea/coffee or lunch breaks or after-hours meetings. Recognizing that work groups influence consumers' brand choices and that majority of women now work outside of their homes, business firms, who in the past sold their products exclusively through direct calls on women in their homes, now are redirecting their sales people to offices and factories during lunch hour to reach working women at their place of employment.

d. **FORMAL SOCIAL GROUPS:** Membership in a formal social group like a club, association etc. may influence a consumer's behaviour in several ways. For example, the members of such social groups have frequent opportunity to informally discuss products, services or stores. Some members may copy the consumption behaviour of other members whom they admire. The membership list of such a club or association would be of interest to insurance agents, automobile dealers, tour operators etc.

e. **SHOPPING GROUPS:** A shopping group consists of two or more people who shop together—whether for food or clothing or simply to pass the time. Such groups are often offshoots of family or friendship groups. Shopping with others provides the benefit of one's experience or knowledge about a product and also an element of social fun.



CHECK YOUR PROGRESS

Q 1: State true or false for the following statements—

(i) Reference group do not include a celebrity. (True/False)

(ii) A family does not have any influence on our consumption pattern. (True/False)

(iii) Friendship group is a formal group. (True/False)

(iv) Work group do not have any influence on its member's consumption habits. (True/False)

(v) Through socialization process we learn about values. (True/False)

8.5 IMPACT OF SOCIAL CLASS ON CONSUMER BEHAVIOUR

Social class is the division of the members of a society into a hierarchy of distinct status classes, so that the members of each class have relatively the same status and members of all other classes have either more or less status. Social-class categories usually are ranked in a hierarchy, ranging from low to high status. Thus, members of a specific social class perceive the members of other social classes as having either more or less status than they do. To many people, therefore, social-class categories suggest that others are either equal to them (i.e., about the same social class), superior to them (i.e., higher social class), or inferior to them (i.e., lower social class).

The hierarchical aspect of social class is important to the marketers. Consumers may purchase certain products because these products are favoured by members of either their own or a higher social class (e.g., a high-priced Swiss wristwatch), and consumers may avoid other products because they perceive the products to be “lower-class” products (e.g., a “no-name” brand of sneaker). Thus, the various social-class strata provide a natural basis for market segmentation for many products and services. In many instances, consumer researchers have been able to relate aspects of product usage to social-class membership. For example, when it comes to the consumption of instant coffee throughout Europe, it appears that for German consumers instant coffee tends to be an upmarket or upscale product; but in contrast, for French consumers instant coffee is a particularly downmarket or downscale product.

Social-class profiles provide a broad picture of the values, attitudes and behaviour that distinguish the members of various social classes. Social class is also an important variable in determining where a consumer shops. People tend to avoid stores that have the image of appealing to a social class very different from their own.

Research has revealed social-class differences in clothing habits, home decoration, and leisure activities, as well as in saving and spending

habits. Therefore, intelligent marketers tailor specific product and promotional strategies to each social-class target segment.

Consumer research has found evidence that within each of the social classes, there is an assortment of specific lifestyle factors (shared beliefs, attitudes, activities and behaviours) that tend to distinguish the members of each class from the members of all other social classes. Lifestyle differences should be considered when choosing appropriate marketing-mix appeals to communicate with the core members of any social-class group.

8.6 IMPACT OF CULTURE ON CONSUMER BEHAVIOUR

Culture influences consumers through the norms and values established by the society in which they live. Study of culture is the study of all aspects of a society. Culture is the sum total of learned beliefs, values, and customs that serve to direct the behaviour of members of a particular society. The study of culture is concerned with a comprehensive examination of factors such as language, religion, knowledge, laws, art, music, work patterns, social customs, festivals and food habits etc. In fact, culture includes everything that reflects its personality.

Beliefs and values are guides for consumer behaviour; customs are some of the usual and accepted ways of behaving. Culture is a mirror of the values of the members of a society. Culture is not static but it evolves and changes slowly over time. Marketing strategies are unlikely to change cultural values but culture does influence marketing.

The impact of culture on society is so natural and automatic that its influence on behaviour is usually taken for granted. Consumers view themselves in the context of their culture and react to their environment based upon the cultural framework that they bring to that experience. Each individual perceives the world through his own cultural lens.

Culture is learnt as a part of social experience. Children acquire from their environment a set of beliefs, values and customs that constitutes

culture. This process is called enculturation. These are acquired through formal learning, informal learning, and technical learning. Advertising enhances formal learning by reinforcing desired models of behaviour and expectations; it enhances informal learning by providing models for behaviour.

Culture is communicated to members of society through a common language and through commonly shared symbols. Because the human mind has the ability to absorb and to process symbolic communication, marketers are able to promote to consumers both tangible and intangible products, services and concepts.

All the elements in the marketing mix serve to communicate symbolically with the audience. Products project an image of their own; so does promotion. Price and retail outlets symbolically convey images concerning the quality of products.

The elements of culture are transmitted by three pervasive social institutions: the family, the peer group and the school. A fourth social institution that plays a major role in the transmission of culture is the mass media, both through editorial content and through advertising.

A number of core values of Indians are relevant to the study of consumer behaviour. These include family orientation, fondness for festivities, mythology and attachment toward native food. Values are also changing in India, especially among upwardly mobile urban segments, and these new values are similar to those in the west: orientation toward material success and personal achievement, strong work ethic, impulse gratification, use of high-tech products and a middle-of-the-road approach to tradition.

Because each of these values varies in importance to the members of our society, each provides an effective basis for segmenting consumer markets. It is important to understand the cultural aspects of emerging markets like India and to develop integrated marketing communications in tune with these traditional and new cultural values.

8.7 IMPACT OF SUB-CULTURE ON CONSUMER BEHAVIOUR

Subcultural analysis enables the marketers to segment their markets to meet the specific needs, motivations, perceptions, and attitudes shared by the members of a specific subcultural group.

A subculture is a distinct cultural group that exists as an identifiable segment within a larger, more complex society. The members of a specific subculture tend to 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 beliefs, values, and behavioural patterns of the larger society. Major Subcultural categories include community speaking a particular language, people practicing a particular religion, people residing in a particular geographical location or belonging to a particular age group, and gender. Each of these can be broken down into smaller segments which can be reached through special copy appeals and selective media choices. In some cases (for age group and gender), product characteristics can be tailored to the specialized needs of the market segment. For example, special food may be promoted for aged consumers.

8.8 IMPACT OF CROSS-CULTURAL FACTOR ON CONSUMER BEHAVIOUR

We observe much diversity of cultural and Subcultural aspect among the Indian population. Numerous larger differences exist between citizens of different nations having different cultures, values, beliefs, and languages. To satisfy the consumers in international marketers, the marketers must understand the relevant similarities and differences that exist between the peoples of the countries they decide to target.

When consumers make purchase decisions, they seem to take into consideration the country of origin of the brands that they are assessing. Consumers frequently have specific attitudes or preferences for products made in particular countries. These country-of-origin effects influence how

consumers rate quality and which brands they will ultimately select.

With the help of the advances in communication, a majority numbers of consumers from all over the world come in contact with the material goods and lifestyle of the people living in other countries. Again, the number of middle class consumers is also growing in developing countries. Marketers are eager to locate these new customers and to offer them their products. To be successful, the marketers must learn everything that is relevant to the product and product category in the society in which they plan to market, and then they must persuade the members of that society to break with their traditional ways of doing things to adopt the new product. The more similar a foreign target market is to a marketer's home market, the easier is the process of learning for the marketer.

Some of the problems involved in cross-cultural marketing include: differences in language, consumption patterns, needs, product usage, economic and social conditions, marketing conditions, and market research opportunities. It is also needed for more systematic and conceptual cross-cultural analyses of the psychological, social, and cultural characteristics concerning the consumption habits of foreign consumers. Such analyses would identify increased marketing opportunities that would benefit both international marketers and their targeted consumers.



CHECK YOUR PROGRESS

Q 2: State whether the following are true or false:

(i) Members of a social class have the same status. (True/False)

(ii) Members of a social class do not have any specific life style pattern. (True/False)

(iii) Study of culture is the study of all aspects of a society. (True/False)

(iv) Food habit is not influenced by our culture. (True/False)

(v) The Country of origin is an important factor which influences the choice of a particular product or brand. (True/False)



8.9 LET US SUM UP

In this unit we have discussed the following:

- A group may be defined as two or more people who interact to accomplish either individual or mutual goals
- Reference groups are groups that serve as frames of reference for individuals in their consumption decisions because they are perceived as credible sources.
- Six basic consumer-relevant groups were discussed: family, friendship groups, work groups, formal social groups, and shopping groups.
- Social class also has impacts on consumer behaviour: Social class is the division of the members of a society into a hierarchy of distinct status classes, so that the members of each class have relatively the same status and members of all other classes have either more or less status. Social-class categories usually are ranked in a hierarchy, ranging from low to high status.
- Culture influences consumers through the norms and values established by the society in which they live.
- Subcultural analysis enables the marketers to segment their markets to meet the specific needs, motivations, perceptions, and attitudes shared by the members of a specific subcultural group.
- we had learned about the impact of cross-cultural factor on consumer behaviour.



8.10 FURTHER READING

1. Leon G. Schiffman, Leslie Lazar Kanuk and S. Ramesh Kumar, “Consumer Behaviour”, (10th Edition, 2010) Pearson, New Delhi.

2. Satish K. Batra and S H H Kazmi (2nd Edition, 2008), "Consumer Behaviour", Excel Books, New Delhi.
3. D. Hawkins, R. Best, K. Coney, A. Mookerjee (9th Edition, 2007) "Consumer Behaviour", Tata McGraw-Hill Publishing Company Limited, New Delhi.



8.11 ANSWERS TO CHECK YOUR PROGRESS

Ans to Q No 1: (i) False (ii) False (iii) False (iv) False (v) True

Ans to Q No 2: (i) True (ii) False (iii) True (iv) False (v) True.



8.12 MODEL QUESTIONS

Q 1: What is reference group? Discuss the role of a reference group on the consumption habits of its members.

Q 2: How does the family influence the consumption pattern of its members?

Q 3: Discuss the influence of culture on the consumers buying process.

Q 4: Why study of cultural pattern is important for the international marketers?

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UNIT 9: SOCIAL CLASS AND GROUP INFLUENCE ON CONSUMER BEHAVIOR

UNIT STRUCTURE

9.1 Learning Objectives

9.2 Introduction

9.3 Meaning of a Social Class

- 9.3.1 Characteristics and features of social class

9.4 Meaning of Consumer Groups

9.5 Types of Consumer Groups

9.6 Meaning of Reference Groups

- 9.6.1 Characteristics of Reference Groups
- 9.6.2 Types of Reference Groups
- 9.6.3 Influence of Reference Groups on Consumer Behaviour

9.7 Reference group and Social Power

9.8 Reference Group Appeals

9.9 Role of Family in Consumer Behavior

- 9.9.1 Role of Family in Decision Making
- 9.9.2 Stages in Family Life Cycle

9.10 Opinion Leaders and Opinion Leadership Process

- 9.10.1 Characteristics of Opinion Leaders
- 9.10.2 Measurement of Opinion Leadership

9.11 Let Us Sum Up

9.12 Further Reading

9.13 Answers to Check Your Progress

9.14 Model Questions

9.1 LEARNING OBJECTIVES

After going through this unit, you will be able to:

- define the meaning and characteristics of a Social Class
- explain the meaning of Consumer Groups and outline the types of Consumer Groups

- discuss the meaning of reference groups and characteristics of Reference Groups
- outline the types of reference groups
- describe influence of reference groups on consumer behavior
- discuss the reference group and social power, reference Group Appeals
- discuss the role of family in consumer behavior
- outlinethe stages in family life cycle
- explain the opinion leaders, opinion leadership process and outline the characteristics of Opinion Leaders.

9.2 INTRODUCTION

The previous unit dealt with the cultural influences on consumer behavior. This unit deals with the sociological influences that impact consumer decision making; these include i) Consumer groups; ii) Consumer reference groups; iii) Family and Life cycle; iv) Social class. Apart from these the unit also discusses the role played by Opinion Leadership. This unit also examines the dynamics of opinion leadership process.

9.3 MEANING OF A SOCIAL CLASS

People may be placed on different positions on a continuum or a range; the continuum, in fact is divided into specific social classes, or *strata*. Social class is the strata in the society.

Thus, people in a society may be placed in different strata based on their status; each of these strata may be referred to as social class.

Schiffman defines social class as "*the division of /members of a society into a hierarchy of distinct status classes, so that members of each class have relatively the same status and members of all other classes have either more or less status".*

Social class is measured in terms of status*;* a person belonging to a particular class is said to hold status similar to members of that

class. So, social class is defined in terms of the amount of status the members of a particular class relatively have, in comparison with members of other social classes.

It is common aspect noted throughout the world that human beings exist in a socially stratified environment.The stratification into varied social classes, is done on the bases on the following three factors:

1. wealth (economic assets)
2. power (ability to exert influence over others) and
3. prestige (recognition received).

While understanding buying patterns and consumption behavior, it is necessary to understand the dynamics of social class. These are discussed as follows:

a. **Hierarchical structure**: Social class is hierarchical in nature. The social-class categories are ranked in a hierarchy that ranges from low to high. Based on education, occupation and income, the society is divided into various ranks.

b. ***Similarity of people within a social class:*** People within a social class are similar to each other. This similarity is not only witnessed in terms of their education, occupation and income, but also their thinking, val-ues, norms, attitudes, lifestyle and behavioral patterns. There is similarity among memberswithin each social class and dissimilarity with between social classes.

9.3.1 Characteristics and Features of Social Class

Following are some of the characteristics of social class relevant to consumer behavior:

1. **Persons with a given social class tend to behave more alike:** Social classes are homogeneous divisions of the society. Each social class shows similar life-styles, values, status, prestige and interests. So, the behavior pattern of the members becomes similar. There are also shared attitudes and behavioral pattern among members. So, the behavioral pattern differs among social classes. For example, a person belonging

to middle class prefers economically priced cars. But upper income group will prefer highly priced cars. Thus, social classes exhibit varying buying pattern in purchase of products that meets the life-style, status and prestige of their members.

2. **The members of each class have relatively the same status:** The members in a particular social class have relatively the same status. An individual or family achieves social class by acquisition of skills, education, wealth and recognition. The status of the member reflects the aggregate effect of influence and recognition conferred on them by the society. This in turn is either more or less than the status of other classes.
3. **Social class is hierarchical:** Social class is determined by a hierarchical classification of individuals and families with a distinct status. Families can climb the social ladder by achievement of members. When each generation within a family tends to do better, there is an upward mobility in the social ladder. When young adults have less disposable income than their successful parents, they may slide down in the class hierarchy. The hierarchical aspect of social class is important to marketers. Consumers may prefer to purchase products favored by their own or higher social class (e.g. imported luxury automobiles). Consumers may avoid certain products because they perceive the products to be lower class products.
4. **Social class is measured by a combination of variables:** Researchers use a combination of variables to measure social class. A number of socioeconomic factors are combined to form one over all members of social class standing. They better reflect the complexity of social class than a single variable. For example, to know the consumer perceptions of mail and phone order shopping, a study was conderted to the probe socioeconomic status was studied by using a composite of income occupational status and education. It reveals that higher the socioeconomic status, the more positive are the

consumer's ratings of mail and phone order buying, relative to in-store shopping.

5. **Social class is mobile:** Social class membership is not hard and fixed. Individuals can move either up or down in social class standing. The availability of free education and opportunities for self development prompts success in business and in life. Successful persons move up to the higher class. Higher social classes become reference groups for ambitious men and women of lower social status. Signs of upward mobility are found in India. For example, plastic surgery was once affordable only for movie stars and other wealthy people. Today, consumers of several economic stratas undergo cosmetic surgery.

6. **Social class and status differentiation:** Researchers measure social class in terms of social status. They define each social class by the amount of status of the members of that class. It is also known as "Social Stratification". Social stratification has resulted in differentiated roles. For example, a person with higher status owns a luxury car. A middle class status person owns a small car or two-wheeler. A person with lower status owns a bicycle. This is the symbolic identification of role and status based on social classification.



CHECK YOUR PROGRESS

Q 1: Define Social Class

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Q 2: Write the characteristics of Social Class. Which are relevant to consumer behavior.

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9.4 MEANING OF CONSUMER GROUPS

The term “group”, may be defined as two or more people who interact with each in order to achieve mutually agreed upon goals; such goals may relate to an individual or to the many who get together for the achievement of such goals.

Consumer groupsrefer to individuals or group of individuals or the family who have a need and desire purchasing a good or service so as to fulfill the need and derive satisfaction.

While speaking of groups, it becomes necessary to understand the various kinds of groups. We have already discussed that the groups may be i) small or large; ii) formal or informal (based on purpose of formation, legitimacy and structure of reporting relationships). In consumer behavior, the focus lies on small informal groups. This is because small groups are more cohesive in nature, there is more of interaction and the members can influence the purchase patterns and consumption behavior of each other.

9.5 TYPES OF CONSUMER GROUPS

Groups may be classified on various bases namely:

1. number and size;
2. regularity of contact; and
3. structure and hierarchy

Let us now discuss about the various types of groups which are relevant to the consumer and who can also influence his decision making process:

1. **An Individual in a Family:** From childhood an individual develops needs and consumption decisions are influenced by his/her family. Importance of the family in various decisions is based on the frequency of contact that individual has with other family members. Moreover, it is in the family an individual establishes a wide range of values, attitudes and behaviors.
2. **Friendship Groups:** After family an individual’s purchase decisions

are most likely influenced by friends. The immediate group which an individual forms after he/she moves out from the house is friendship group. Friendships are also sign of maturity and independence as they represent a breaking away from the family and forming of social ties with the outside world. They are classified as informal groups as they are unstructured and usually lack specific authority levels. Friends fulfill a wide range of needs like they provide companionship, security and opportunity to discuss the matter which they can't with the family members. Friends opinions and preferences are very important for influencing an individual's behaviour in determining the products or brands he/she actually selects.

3. **Formal social Groups:** Formal social groups, as the name says, lack intimate relationship and they serve different function for an individual. A person joins this group to fulfill goals like making new friends, pursuing a special interest, meeting important' people especially for career advancement or also sometimes promoting a specific cause (working for the welfare of orphans). This type of group interests marketers because members often consume products together, can discuss products or services or stores informally with other members and sometimes can even copy the consumption behavior of other members whom they admire.
4. **Shopping Groups:** Two or more people who shop together this can be either for food, for clothing or simply to pass the time-can be called a shopping group; people like to shop with others who are pleasant company or who they feel have more experience or knowledge about a desired product or service. Shopping with others reduces the risk that a purchase decision will be socially unacceptable, collective decision is the best in which none of the members knows about the product to be purchased.

Now-a-days, in-home shopping is more common, it consists of a group who gathers together in the home of a friend to attend a "party" which is arranged to demonstrate and evaluate a specific line of products. This kind of approach helps marketers to

demonstrate the features of their products simultaneously to a group of potential customers in their surroundings.

5. **Consumer-Action Groups:** Consumer-action groups can be divided into two broad categories: those that organize to correct a specific consumer abuse and then disband, and those that organize to address broader, more pervasive problem areas and operate over an extended or indefinite period of time.
6. **Work Groups:** This type of group also serves as a major influence on the consumption behaviour of members as they spend a sheer amount of time at their jobs (around 48 hours per week). Formal work group consists of those individuals who work together as a team. Their direct and sustained work relationship offers substantial opportunity for one or more members to influence the consumption related attitudes and activities of other team members. Informal friendship/work groups consists of people who have become friends as a result of working for the same firm, they may/ may not work together as a team. Marketers have recognized that work groups influences consumers brand choices and some-times even the store choice, so now they are redirecting their sales efforts to offices and plants during lunch-hour visits.



CHECK YOUR PROGRESS

Q 3: What are the types of consumer groups?

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9.6 MEANING OF REFERENCE GROUPS

We have already discussed that a reference group includes individuals or groups that influence our opinions, beliefs, attitudes and behaviors. It is a group that serves as a reference point for an individual for his/her beliefs, attitude and behaviour. They often serve as our role models and inspiration.

A reference group may be a person or a group to which an individual

looks up as a frame of reference for his general and specific acts of behavior, values, opinions, attitudes etc. Reference groups influence what types of products you will purchase and which brand of product you choose. Reference Groups are basically small in size and differ from one individual to another. Family members, Relative, Friends, Colleagues and other close acquaintance are usually termed as Reference Group. Common organizations like Colleges, Schools, Police Academies and membership firms also fall under Reference Group.

9.6.1 Characteristics of Reference Groups

The following are the characteristics of reference groups:

- Reference Group consists of people who share interests in common
- People in reference groups are sought for before any real purchase decision is made
- Opinions or recommendations made by people in Reference Groups have a huge impact on the approach and behaviour of a potential consumer
- Reference Groups many a times acts as the factor responsible for creating aspirations in other members of the group
- Reference Group tends to provide ideas pertaining to products that can be purchased with reference to specific lifestyles
- Reference Groups play an important role in setting standards pertaining to purchase decisions made from time to time
- Reference Groups become successful when homogeneity is found in the same
- Some Reference Groups exert pressures related to conformity to set rules
- All members associated with the group are expected to certain rules and regulations set through mutual understanding

9.6.2 Types of Reference Groups

Broadly speaking, based on the *kind of contact* (regularity, frequency, direct/indirect), reference groups could be of two kinds, viz., *primary* reference groups and *secondary* reference groups.

Primary reference group(s) is a group(s) with which a person has a direct contact and where a direct influence occurs. For example, family, friends, neighbours, superiors, peers, colleagues etc. Gradually the concept broadened to include both direct and indirect influences. So, such group(s) with which a person has an indirect contact and where an indirect influence occurs, is known as a secondary reference group. For example, movie stars and celebrities, sportsmen, successful business men, political leaders, religious leaders etc.

Based on the 'kind of influence' they have, reference groups can also be classified as **normative** reference groups and **comparative** reference groups. Those groups that influence general or broadly defined values, attitudes and/or behavior are known as **normative** reference groups. For example, for a child the family acts as a normative reference group; the parents (as family of orientation) have a big role to play in making us understand our value system as well as our acts of good and bad behavior. The parents teach the child his mannerisms, as well as what he should eat, how he should dress, and how he should behave.

On the other hand, those groups that influence and serve as standards for specific or narrowly defined values, attitudes and/or behavior are known as **comparative** reference groups. For example, for the same child, his friend's family or a neighbor may constitute a comparative reference group. The child desires emulating their lifestyles, customs, traditions etc, which he finds exciting, admirable and praiseworthy (and something which may be very different from his own).

In terms of consumer behavior, the normative reference group

may exert influence on the kinds of products that should be bought e.g. hygienic food, clean clothes, fresh fruits and vegetables etc. The comparative reference group may exert influence in terms of the things like junk food versus traditional food, fashion and fad as also the latest styles etc. Both normative and comparative reference groups have relevance for a marketer. While the normative reference group set the basic norms of behavior in terms of products to purchase, while the comparative reference group is more specific in terms of brands to buy; in fact the latter depends on the former; i.e. the specific acts of behavior are governed by the general. Based on i) membership and level of involvement; as well as ii) the kind of influence (positive or negative) they have on values, attitudes, and behavior, reference groups may be classified into four categories (See Table 9.1), they are, contactual groups, aspirational groups, disclaimant groups and avoidance groups.

Table 9.1: Types of Reference Groups based on Cross-Classification

	Membership	**Non-membership**
Positive Influence	Contactual group	Aspirational group
Negative Influence	Disclaimant group	Avoidance group

a) ***Contactual Group*****:** A contactual group is defined as a group where people hold membership, meet face-to-face and have interaction, and where people abide by the values, norms, opinions and judgments that the group entails. This kind of a primary group has the maximum influence on a person, and his behavior. This has implications for a marketer in the sense that such groups impact purchase patterns and consumption behavior.

b) ***Aspirational Group*****:** These are groups in which people are not members but desires to become one on a future date. The aspiration may become true once they are ready to join the group at the future point of time. The influences exerted by such group members on consumers make them join many groups every now and then.

c) ***Disclaimant Group*****:** Here, a person holds membership with the group, but does not believe in the values, norms, attitudes and behavior of the group and its members. So the person acts as a deviant and behaves in a manner that is in opposition to how others in the group behave. In terms of consumer behavior, such people are referred to as inner-directed (an also detached), who want to set their own norms and patterns of behavior. These people could also act as innovators.

d) ***Avoidance Group*****:** As the term denotes, this group is one where a person does not have membership, and he also disapproves of the values, norms, attitudes and behavior. He adopts such values and behavior that are in opposition to those that the group believes in.

9.6.3 Influence of Reference Groups on Consumer Behaviour

The influence of reference groups depends upon –

- An individual's information and experience
- Credibility of the group
- Attitude towards the group
- The nature of the product

The involvement of members in a group can range anywhere between a simple one or one with high dedication levels. It can be divided into:

- **Compliant**: This type of group members remain in a group paying the set membership fees, participating in the meetings and other get together in the instructed manner and adhere to things like dress code etc. during all occasions. They do not undergo any change as far as their attitude and personality is concerned just because they are the members of the group. In a typical consumer scenario, being one of the members of the group, people tend to go in for the brands and products

when the same is suggested by another group member.

- **Identity**: People of this type tend to mend their attitudes and ideas to suit the objectives of the organization they associate themselves with. They will be more inclined towards attaching themselves with the group through services and other such activities. They express their pride in being one of the group members and show this as their key identity. In a real life purchase decision making scenario, any consumer who identifies himself with the group he is associated with, respects the opinion of the group members more than any other thing
- **Internalization** – The involvement levels of people who fall in this category are very high. Not only they are highly dedicated to the group but they pull in others into the group. They motivate other members of the group to get involved in a deeper manner. They become one with the group. Anyone with such high levels of involvement in groups will go in for recommendations from other in the group with respect to their purchase decisions. They try to influence the purchase decision of others also basing the same on the recommendations of other group members.

Many factors pertaining to Reference Groups tend to influence consumers and their purchase related decisions. Three factors concerned with Reference Groups are Norms, Status and Roles.

(1) **Norms** are rules set by Reference Groups in writing. People who belong to the Group are expected to adhere to the same at all points of time. Norms force consumers to go in for certain options as a part of their adherence process.

(2) **Status** of members in the Reference Groups matter the most when it comes to decision making pertaining to purchase. Member who are highly positioned within a group have the power to take the final decision of purchase. For instance, in the case of a family, the Father holds an upper hand in decision making pertaining to purchases.

(3) **Roles** here refer to the part played by every member of the

reference group. In a typical family environment, each family member plays a different role like gatekeeper, initiator, decision maker, influencer and many more.



CHECK YOUR PROGRESS

Q 4: Define Reference Groups

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Q 5: The influence of reference groups depends upon-

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9.7 REFERENCE GROUP AND SOCIAL POWER

The influence of reference groups on Consumer Behaviouris felt through the influence of social power. The following powers are used to influence individuals in a group:

1. **Reward Power –** It is the power to restrict or allocate material resources and rewards to a person. Consumers are offered rewards in the form of cash and kind whenever they yield to the influences of the group they are associated with.
2. **Coercive Power –** It is the power based on application of fear, pain, restrictions etc. on a person.Many a times, consumers are threatened to go in for certain brands or to avoid a particular brand. Here coerciveness acts as the main power and so is termed as Coercive Power
3. **Legitimate Power –** This power is based on the position of a person in an organization or social unit.As the terminology implies, when someone gets what is legitimately due to them as a consumer, it is termed as Legitimate Power
4. **Referent Power –** A person tries to copy the behaviour of another person whom he takes as an idol and wants to be identified as him. The referent power lies with the person whose personality characteristics others try to copy and are attracted towards him.

5. **Expert Power –** It is one‘s power to withhold information from others. It is based upon one‘s experience, special skill, or knowledge.The behaviour of consumers tend to get modified when a person who is an expert in the product or area of interest vouches otherwise. The expertise power rules over purchase decisionmade by the consumers to a great extent.

9.8 REFERENCE GROUP APPEALS

While designing the messages, marketers may use various kinds of appeals so that the consumer can identify himself with the spokesperson (from the reference group) in the advertisement.

The commonly used reference group appeals are: i) celebrity appeals; ii) expert appeals; iii) common man appeals; iv) executive appeals, trade or spokes-character appeals.

1. **Celebrity Appeals:** Celebrity appeals are the most commonly used kind of appeal. The public admires film stars, TV personalities and sportspersons. They represent a lifestyle that people aspire to be in. People idolize them and aspire to become like them. Thus, marketer’s use of celebrities particularly for FMCG products. Celebrities in advertisements could be used in a variety of forms; they could be used as a spokesperson (educating the consumers about the company, and the brand); or as a celebrity giving a testimonial and endorsement (statement in support of claim or a fact about the brand); or as an actor/model. Whatever form it may be in, commercials with celebrity appeals have major impact on the consumers’ minds. Nevertheless, the marketer must be careful about the credibility of the celebrity, in terms of expertise (regarding the product or service and/ or the brand) as well as trustworthiness (honesty about what he/she says). For example, Aishwarya Rai advertising for Lux orSachin Tendulkar for Boost.
2. **Expert Appeals:** Another reference group appeal that is used by marketers is the expert appeal. People who are experts in a particular

field are used in the advertisement. Because of the knowledge, expertise and experience that they possess in a particular field, they are in a position to give advice that would help potential consumers to evaluate the various product alternatives, and finally make a choice. For example, a health nutritionist or a dietician advertising for Complan.

3. **Common man Appeals:** As a common man appeal, the advertisement relates to individuals, who find parity in such advertisements with real life situation; thus they are able to identify better with the situation portrayed in the advertisement. As they relate to realities of life and real-life problems, they are also known as slice-of-the life commercials. A common man appeal may also include testimonials from a satisfied customer, so as to portray to potential consumers, that another commoner like them uses the product and/or brand and is satisfied with it. Advertisements depict how day to day problems are solved through purchase of products and service offerings and/or brands. Examples where such appeals are used are agony and pain (Amrutanjan Balm), Bad breath (Close-Up), Insurance (LIC) etc.
4. **Executive Appeals, trade or spokes-character Appeals:** Companies may also use their spokespersons or their top executives in their advertisements. Such people are often used at product launch and also relates to a publicity exercise. The spokespersons address the consumers and provide information about the product or service offering. Due to the popularity that they hold, people and their consumption behaviors are impacted by them. For example, Ratan Tata for Nano, Nita Ambani for Reliance Fresh stores etc.
5. **Other Appeals:** Other appeals that impact consumption behavior include print media and editorial content, promotional strategies from dealers and retailers and seals of approval from recognized and reputed agencies and organizations.

9.9 ROLE OF FAMILY IN CONSUMER BEHAVIOR

Family is defined as a group of two or more people (one of whom is a householder) related by birth, marriage or adoption and residing together. Among all the factors, the single most influential group in the consumer behavior patter of an individual is the family. The development and formation of an individual's attitudes and behavior towards preferences of food items, beliefs about the style the style of dressing, eating non vegetarian food, attitude towards class, culture etc are acquired and influenced by the immediate family. No two individuals have same buying preferences. The buying tendencies of individuals vary as per their age, need, income, lifestyle, geographical location, willingness to spend, family status and so on. An individual's immediate family members play an essential role in influencing his/her buying behaviour.

An individual tends to discuss with his immediate family members before purchasing a particular product or service. Family members might support an individual's decision to buy a particular product, stop him for purchasing it or suggest few other options.

Family comprises of:

- Parents
- Siblings
- Spouse
- Grandparents
- Relatives

9.9.1 Role of Family in Decision Making

In a family decision-making model, it is important to understand how the family members interact with each other in the context of their consumer decision-making. There are different consumption roles played by various members of the family. These roles are as follows:

1. **Influencers:** The members who influence the purchase of the product by providing information to the family members,

the son in a family may inform the members of a new fast food joint. He can influence the family members to visit the joint for food and entertainment.

2. **Gate keepers**: These members control the flow of information for a product or brand that they favour and influence the family to buy the product of their choice. They provide the information favourable to themselves and, withhold information about other product which they do not favour.
3. **Deciders**: These are the people who have the power or, money and authority to buy. They play a major role in deciding which product to buy.
4. **Buyers**:Buyers are the people who actually buy a product. A mother buying ration for the house etc, Father buying crayons for his children.
5. **Preparers:Preaperes are t**hose who prepare the product in the form it is actually consumed. Mother preparing food by adding ingredients to the raw vegetable, frying an egg for consumption, sewing clothes for the family, etc.
6. **User:**The user is a person or persons who use a product or service. Some products are for use for an individual like school books, but others are for use by all like food, TV, car, refrigerator etc. in which all the members have a say in purchase decision. The product can be consumed individually or jointly by all members of the family. Use of car by the family, use of refrigerator,TV, etc.
7. **Maintainer :**The family member who serves or repairs the product so that it will provide continued satisfaction. For example , the husband, at least once in amonth services “the car” so that the vehicle will continue to run without problems.
8. **Disposer:** the family member who takes the decision to dispose off or discontinue with the usage of a particular product /services.On purchasing a new car , the husband may decide to dispose off the old car.

9.9.2 Stages in Family Life Cycle

The traditional family life cycle is a progression of stages through which many families pass, starting with bachelorhood, moving on to marriage, then to family growth, to family contraction, and ending with the dissolution of the basic unit. The traditional FLC model proposed over the years can be synthesized comprosing of successive stayes : namely (i) bachelorhood, (ii) newly married couple, (iii) fullnest 1, (iv) fullnest 2, (v) fullnest 3, (vi) Empty Nest and (vii) Solitary Survivor. The buying behaviour of a family member is influenced by his position in the family life cycle stage. Different stages in the life cycle show family influence on consumer behaviour with respect to a family member‘s position in the life cycle stage.: Let us discuss these stages in the following ways:

1. **The Bachelor Stage (Young and single):** In the bachelor stage of the life cycle, income is low relative to future earnings, since most bachelors are just beginning their careers. However, there are few financial burdens. They therefore have relatively high discretionary incomes. They tend to spend substantial amounts on personal consumption items, food, clothing, transportation, certain luxury goods entertainment, vacations, and possibly even a car. A few basic furniture items maybe acquired, as well as some kitchen equipment. However, these purchases tend to be on a non-systematic basis and also minimal, because possessions restrict their freedom of movement. This market segment also offers marketers opportunities in terms of single serving packaging for wide varietyof foods. Overall, there is more individuality in purchasing at this stage.
2. **The Newly Married Couples (Young, no children) :** With marriage, the requirements and resources change. Household requirements increase. In addition, in some cases, both

partners may be working. This stage therefore represents a high expenditure period. Purchases include durable goods such as refrigerators and other appliances, inexpensive durable furniture, home entertainment items such as TV sets. These items often take priority over other purchases.

3. **Full Nest 1 (Young, married, with child) :** The arrival of a child creates major changes. Some wives may stop working and they suffer a education in income. The financial resources thus change significantly. Child rearing and educational responsibilities increase. Money is now directed to baby furniture, toys, chest rubs, vitamins, baby foods and baby medicines. While more shopping is done, the familyalso faces more medical bills. This is also the period that they become dissatisfied with their income and with their inabilityto accumulate earnings.
4. **Full Nest 2 (Older, married, with children):**At this stage, the family's financial position starts to improve because the progress in their career and also becausemany wivesare now returning to work at different workplace. They present an active market for a wide varietyof food products, bicycles, music lessons, magazines and also educational services as children are growing up.
5. **Full Nest 3 (Older, married, with dependent children):** Income is high for the family at thisstage. However, they now represent experienced buyers and tend to be less interested in new product purchases. Expenditures continue to be high due to replacement buying in the later phases of the stage.
6. **Empty Nest (Older, married, with no children living with them):**In this stage, with no children living at home, the financial position stabilizes. Savings accumulate. There may be resurgence in self-education. Hobbies also become an important source of satisfaction. More is spent on luxury appliances, magazines and health products. Major

expenditures are on home ownership, home improvements and also on medical care.

7. **Solitary Survivor (Older, single, retired people):** In this stage, which isoftenmore economical lifestyle. At this stage, a lower income due to retirement may be a restrictive factor. Health care and other services become important.

The family life cycle stages and consumption patterns of each stage can be understood with the table below:

Table 9.2: Family Life Cycle Stages and Consumption Patterns

Table ■ Consumption patterns of families in life cycle strategy

Stage	Consumption patterns
1. Young single (Bachelor)	Outdoor sporting goods, sports cars, fashion clothing, entertainment and recreation services.
2. Young married with no children	Recreation and relaxation, insurance, home furnishings, travel, home appliances, high purchase rate of durables.
3. Young married with child	Baby food, clothing, and furniture, invests in housing insurance, washer-dryers, medical services/supplies for children, toys for children.
4. Middle aged with children at home	Children's lessons, large food purchases, dental care, higher priced furniture, auto and housing, fast-food restaurants.
5. With no children at home	Luxury products, travel, restaurants, condominiums, recreation, make gifts and contributions, high discretionary income, solid financial position.
6. Older (married or single)	Health care, home security, specialised housing, food products, recreation geared to the retired, general cash poor.
7. Solitary survivor	Money-saving products, frozen foods, rental house, child care, time-saving appliances and food, cash poor.

Modifications to the Family Life Cycle

The traditional FLC model has some limitations its ability to represent the progression of stages through which current family and lifestyle arrangements are changing. To compensate for these limitations, consumer researchers has attempted to search out expanded FLC models that better reflect diversity of family and lifestyle arrangements. In a family, there could be some members who are not related. In this context we may dicuss non traditional aspects.

These non traditional stages include not only family households but also nonfamily households: those consisting of a single individual and those consisting of two or more unrelated individuals. In this context we

may state the following categories of non family households.

Non Family Households

i. **Unmarried couples**: Increased acceptance heterosexual and homosexual couples

ii. **Divorced persons (no children)**:High divorce rate contributes to dissolution of households before children are born.

iii. **Single persons(most are young)**:Primarily a result of delaying first marriage; also, men and women who never marry.

iv. **Widowed persons (most are elderly)**: Longer life expectancy, especially for women, means more over 75 single person households.

Consumption in non traditional families

When households undergo status changes (divorce, temporary retirement, a new person moving into the households, or the death of a spouse), they often undergo spontaneous changes in consumption related preference s and thus become attractive targets for many marketers. For example, divorce often requires that one (or both) former spouses find a new residence, get new telephones, buy new furniture, and perhaps find a job.

In another sphere, the substantial increase in dual income households has also tended to muddy the lifestyle assumptions implicit in the traditional FLC. Most dual income families have children. The most affluent dual income segment is not surprisingly, the crowded nesters. This dual income couple with an adult child living at home has the advantage of an additional potential source of income to contribute to the general well being of the household.

9.10 OPINION LEADERS AND OPINION LEADERSHIP PROCESS

Opinion leaders are the people who indulge in informal product related communication, and provides all information about a product, they also offer advice as to which of several brands is the best and from

where it should be bought. Persons where opinions matter are known as the Opinion Leaders and the process is known as Opinion Leadership.

Opinion leadership which is also known asword of mouth communication is an important personal influence on consumers. The process of opinion leadership has been described in simple terms as the two-step flow of communication.

The process by which one person (the opinion leader) informally influences the consumption actions or attitudes of others who may be opinion seekers or opinion recipients. Opinion leaders offer advice or information about a product, service and how a particular product may be used. Words of mouth takes place through personal or face to face communication. Opinion leadership is defined as the process in which one person influences the attitudes or actions of other person informally, who may be identified as opinion leader. The parties involved in the opinion leadership are:

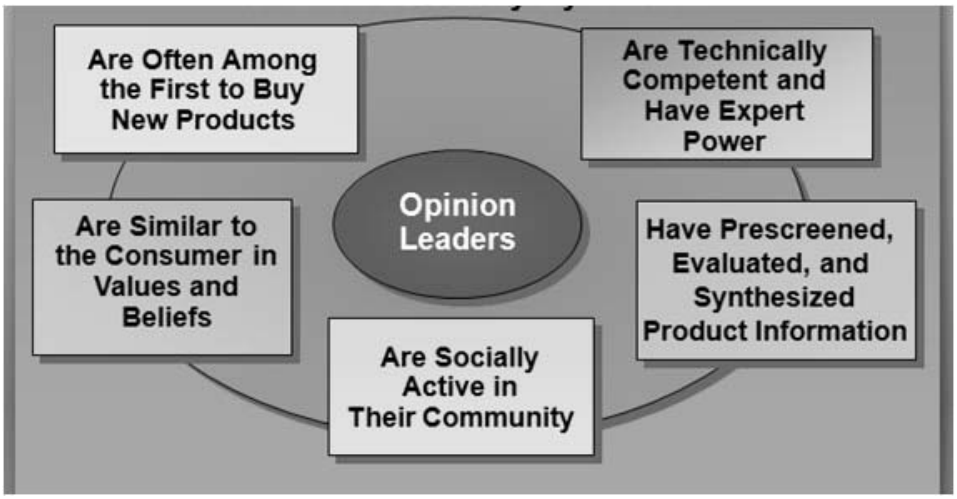
6. Opinion Leader
7. Opinion Receiver
8. Opinion Seeker

Examples of Opinion Leadership: The role of opinion leadership could be seen in the following examples.

1. During casual talk, a friend talks about the car he recently bought. He recommends buying it.
2. A person shows a friend photographs of his recent tour abroad. He suggests that by using a particular make of camera, better pictures could be shot.
3. A family wants to have a swimming pool in their spacious house. The family head asks neighbors which pool construction company they should call.
4. A parent wants admission for his child in a particular school. He contacts other parents sending their children to the same school.

Opinion Leadership is the process by which the *opinion leader* informally influences the actions or attitudes of others, who may be *opinion seekers* or merely opinion recipients. *Opinion receivers* perceive the opinion

leader as a highly credible, objective source of product information who can help reduce their search and analysis time and perceived risk.



Let us take an example of Mr Amitabh Bacchan as an opinion leader. Because of the following traits he is taken as an opinion leader by many national and multinational companies:

- Subject experts and have tremendous knowledge.
- He is self-confident, extrovert and gregarious just like in advertisements of Boroplus, Dairy Milk.
- Credibility and mass following

9.10.1 Characteristics of Opinion Leaders

Opinion leadership is a dynamic process. It is the most powerful consumer force. As informal communication sources, it effectively influences consumers in their product related decisions. The dynamics of the opinion leadership may be discussed under the following headings:

1. **Credible Source:** Opinion leaders are knowledgeable. Their advice about a product or service is considered reliable. As opinion leaders are informal sources of information, it is perceived that they give advice in the best interest of opinion seekers. The first hand information received from opinion leaders helps in reducing perceived risks. It properly tackles

the anxiety in buying new products as the opinion is based on the first hand experience.

2. **Provision of Both Positive and Negative Product Information:** Marketers provide information which is invariably favorable to the products they are marketing. But opinion leaders are not directly associated with marketers. They provide both favorable and unfavorable information about the product. So, opinion seekers have faith in opinion leaders. They are confident that they are receiving both positive and negative information in an accurate way.
3. **Sources of Information and Advice:** Opinion leaders are the source of both information and advice. They simply share their experience about a product or service. Their talk is related to what they know about a product. In their more aggressive talks, they advise others to buy or avoid a specific product. They base their advice on proper reasons.
4. **Two-way Street:** Opinion leaders in one product related situation become opinion receivers in another situation even for the same product. For example, a new homeowner thinking of buying a lawn mover seeks information and advice from other people about which brand to select. After purchasing the lawn mover, he may be satisfied with the product (in the post purchase experience). Now he has a compelling need to talk favorably about the purchase to other people to confirm the correctness of his choice. In the first instance, he is an opinion receiver and in the second he is an opinion leader.

Sometimes, an opinion leader is influenced by an opinion receiver. For example, a person may recommend a favorite hotel to his friend. In response the opinion receiver gives his own comments on that hotel. Finally, the opinion leader may come to realize that the hotel is too small, too isolated and offers fewer amenities than other hotels.

5. **Specific Characteristics:** Opinion leaders possess distinct personality traits. These include self confidence and gregariousness. They are socially inclined, outspoken and are knowledgeable.

9.10.2 Measurement of Opinion Leadership

From the above discussion we noticed the importance of opinion leaders and how they act as a link between marketers and consumers, the marketers are always concerned with i) the identification of such people in a social structure who are Opinion Leaders; ii) the identification of people who have the potential to become Opinion Leaders; and iii) the measurement of Opinion Leadership.

In this section we are going to discuss the measurement of Opinion leadership.In measuring opinion leadership the researcher has four basic measurement techniques:

1. the self-designating method
2. the sociometric method
3. the key informant method
4. the objective method

Let us discuss the methods in the following ways:

1. **The self-designating method**: In this method, each respondent is asked a series of questions to determine the degree to which he or she perceives himself or herself to be an opinion leader or have influenced the purchase decisions of others. This method is easy to include and apply in market research questionnaires. It helps measure an individual's perception and assessment about his/her actual Opinion Leadership and related capacities. This assessment would help the marketer identify who among the many are Opinion Leaders.
2. **The sociometric method:** The sociometric method measures the person to person informal communication of

consumers concerning products or product categories.In this method, members of a social system are asked to identify to whom they give advice and to whom they go for advice. "Whom do you ask?" Who asks you for info about that product category?" Researchers examine complete patterns of informal information flows among consumers of a particular product/service category, and identify those who provide information to others as Opinion Leaders.

3. **The key informant method:** Key informant is the person who is keenly aware of or knowledgeable about the nature of social communications among the members of a specific group. The key informant is asked to designate opinion leaders and to artificially places the individuals in a position to act as opinion leaders and measures results of their efforts.
4. **The objective method:** It identifies and measures Opinion Leadership by placing people in controlled. People are chosen, given information about new products and service categories, and the asked to act out as Opinion Leaders. The resulting "web" and "patterns" of informal interpersonal communication regarding the relevant product or service category are traced and analyzed. The technique thus measures the results of their efforts and assesses how successful their impact is on consumption behavior.



CHECK YOUR PROGRESS

Q 6: Define Family Life Cycle.

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Q 7: Define Opinion Leadership Process.

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9.11 LET US SUM UP

In this unit we have discussed the following:

- Schiffman defines social class as “the division of /members of a society into a hierarchy of distinct status classes, so that members of each class have relatively the same status and members of all other classes have either more or less status”.
- The characteristics of social class relevant to consumer behavior:
  - Persons with a given social class tend to behave more alike
  - The members of each class have relatively the same status
  - Social class is hierarchical
  - Social class is measured by a combination of variables
  - Social class is mobile
  - Social class and status differentiation
- Consumer groupsrefer to individuals or group of individuals or the family who have a need and desire purchasing a good or service so as to fulfill the need and derive satisfaction.
- The types of groups who can also influence his decision making process:
  - An Individuals Family
  - Friendship Groups
  - Formal social Groups
  - Shopping Groups
  - Consumer-Action Groups
  - Work Groups
- A reference group includes individuals or groups that influence our opinions, beliefs, attitudes and behaviors. It is a group that serves as a reference point for an individual for his/her beliefs, attitude and behaviour. They often serve as our role models and inspiration.
- Primary reference group(s) is a group(s) with which a person has a direct contact and where a direct influence occurs.
- group(s) with which a person has an indirect contact and where an

indirect influence occurs, is known as a secondary reference group.

- The powers used to influence individuals in a group are Reward Power, Coercive Power , Legitimate Power , Referent Power and Expert Power
- The traditional FLC models proposed over the years can be synthesized as:namely bachelorhood, newly married couple, fullnest 1, fullnest 2, fullnest 3, Empty Nest and Solitary Survivor.
- Opinion leadership which is also known as word of mouth communication is an important personal influence on consumers. The process of opinion leadership has been described in simple terms as the two-step flow of communication.



9.12 FURTHER READING

1) Schiffman L and Kanuk L L(1999), Consumer Behaviour, Pearson/ PHI,8e.

2) Batra S K & KazmiS H H(2001), Consumer Behaviour, Excel Books.



9.13 ANSWERS TO CHECK YOUR PROGRESS

Ans to Q No 1: Schiffman defines social class as “the division of / members of a society into a hierarchy of distinct status classes, so that members of each class have relatively the same status and members of all other classes have either more or less status”.

Ans to Q No 2: The characteristics of social class relevant to consumer behavior:

- Persons with a given social class tend to behave more alike
- The members of each class have relatively the same status
- Social class is hierarchical

Ans to Q No 3: The types of groups who can also influence his decision making process:

- An Individuals Family
- Friendship Groups
- Formal social Groups
- Shopping Groups
- Consumer-Action Groups
- Work Groups

Ans to Q No 4: A reference group includes individuals or groups that influence our opinions, beliefs, attitudes and behaviors. It is a group that serves as a reference point for an individual for his/her beliefs, attitude and behaviour. They often serve as our role models and inspiration.

Ans to Q No 5: The influence of reference groups depends upon –

- An individuals information and experience
- Credibility of the group
- Attitude towards the group
- The nature of the product

Ans to Q No 6: Family Life Cycle is a progression of stages through which many families pass, starting with bachelorhood, moving on to marriage, then to family growth, to family contraction, and ending with the dissolution of the basic unit.

Ans to Q No 7: Opinion leadership which is also known as word of mouth **communication** is an important personal influence on consumers. The process of opinion leadership has been described in simple terms as the two-step flow of communication.



9.14 MODEL QUESTIONS

Q 1: Define the concept of a Social Class.

Q 2: List out the characteristics and features of social class.

Q 3: Write ashort note on Consumer Groups and the types of Consumer Groups.

Q 4: Discuss the concept of reference groups and the characteristics of reference groups.

Q 5: Discuss the types of reference groups.

Q 6: Discuss the influence of reference groups on consumer behavior.

Q 7: Explain the role of family in consumer behavior.

Q 8: Discuss the stages in family life cycle.

Q 9: Explain in the opinion leaders and opinion leadership process.

Q 10: List out the characteristics of opinion leaders.

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UNIT 10: DIFFUSION OF INNOVATION

UNIT STRUCTURE

10.1 Learning Objectives

10.2 Introduction

10.3 Concept of Diffusion of Innovation

10.4 Concept of Diffusion

10.5 The Diffusion Process

10.6 The Concept Innovation

10.7 Types of Product Innovation

10.8 Diffusion of Innovation Theory

10.9 Factors Affecting the Diffusion of an Innovation

10.10 Channels of Communication

10.11 Importance of Social System and Time in Diffusion

10.12 The Adoption Process

10.13 Let Us Sum Up

10.14 Further Reading

10.15 Answers to Check Your Progress

10.16 Model Questions

10.1 LEARNING OBJECTIVES

After going through this unit, you will be able to :

- know the concept of innovation
- describe concept of diffusion of innovation
- learn the diffusion process
- discuss the innovation and types of product innovation
- describe the concept of diffusion and the diffusion of innovation theory
- outline the factors affecting the diffusion of an innovation
- discuss about channels of communication and time
- describe the adoption process.

10.2 INTRODUCTION

In the previous unit we discussed about social class and group influence on consumer behavior. In this unit we are going to discuss diffusion of innovation which explains consumer acceptance of new products. Diffusion of innovation can be explained with two related process: diffusion process and adoption process. In this unit we are going to discuss the various concepts of diffusion process and adoption process.

10.3 CONCEPT OF DIFFUSION OF INNOVATION

As discussed in the earlier units, products go through a *life cycle. Firstly, the* product is introduced and after launching of the product, the sales are usually limited. Eventually, the products reach a *growth* phase and sales increase. More firms enter with their models of the product. Frequently, the product will reach the *maturity* stage where little growth will be seen. In some cases products may also reach a *decline* stage, usually because the product category is being replaced by something better. For example, typewriters experienced declining sales as more consumers switched to computers.

The product life cycle is associated with the phenomenon of diffusion of innovation. The diffusion of innovation refers to the tendency of new products, practices, or ideas to spread among people. Usually, when new products or ideas come about, they are only adopted by a small group of people initially; later, many innovations spread to other people. Diffusion of innovations is the process by which acceptance of an innovation such as new products or new service or new idea is spread by communication like mass media, sales people, informal conversation to the consumers of the target market over a period of time. As discussed in the earlier section diffusion of innovation can be explained with two related process: Diffusion Process and Adoption Process.

Diffusion process is a macro process concerned with the spread of a new product (an innovation) from its source to the consuming public. *Adoption* is a micro process that focuses on the stages through which an

individual consumer passes when deciding to accept or reject a new product.

Let us now discuss the two processes in the following sections.

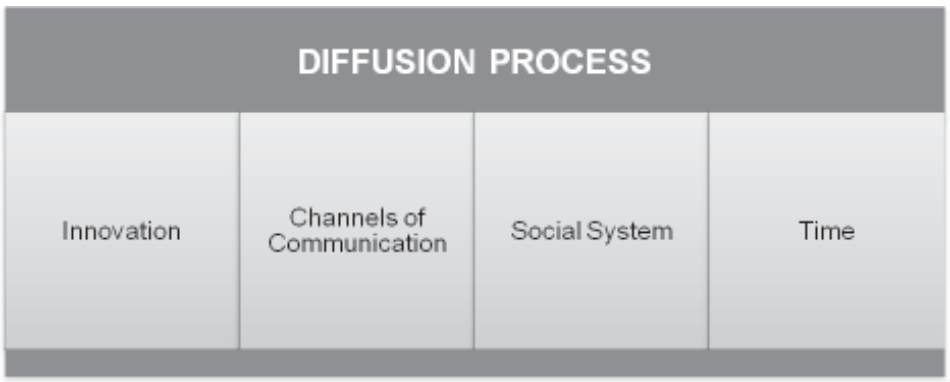
10.4 CONCEPT OF DIFFUSION

Diffusion is the process by which an innovation is spread through certain channels such as mass media, sales people and informal conversation etc to the members of a social system over a period of time.

The diffusion process is linked to the adoption process, which describes the way in which an individual customer learns about an innovation. During the market diffusion process, the marketer must recognize that people differ greatly in their readiness to adopt new products. Based on this idea, five market segments can be distinguished by the time consumers take to adopt new products. Let us now discuss the types of customers in the Diffusion Process (discussed in the following section 10.5).

10.5 THE DIFFUSION PROCESS

As already discussed, diffusion process is concerned with how innovation spread, and how they barer assimilated within a market. It provides information that enables management to identify target markets. For these reasons, it is crucial to understand the facets of the market diffusion process and its importance for the new product development. The following diagram shows the diffusion process.



We are going discuss the elements in the subsequent section.

10.6 INTRODUCTION TO INNOVATION

There are many synonyms that are used to describe the word innovation like change, transformation, alteration, renovation, revolution, variation, restyling, remodeling, etc. An innovation is an idea, practice, or product, perceived to be new by an individual or a group. A product is said to be an innovation when it is perceived by the potential market as a change,and not by a technological change brought in it. It is a new idea into a product or a service or a new method/way of doing something which creates a value for the potential consumer. Various approaches have been taken to define new product/service. They are:

a) **Firm-oriented:** As per this approach, a product or service offering is regarded as "new," from the perspective of the company producing or marketing for the first time .The product is "innovative", if it is "new" for the company.

b) **Product oriented:** As per this approach a product offering is regarded as an "innovation", if the product form, attributes or features changes and its effects are likely to have on consumer usage and behavioral patterns. There are three types of innovation on the basis of changes they cause in consumer's existing habits.

c) **Market-oriented:** The market-oriented approach judges "innovation" purely from a marketers' perspective. How much exposure the consumers have about the "new'' product and the total sales penetration that has occurred in the short period of time frame. The product is regarded "new" if the market does not have much exposure of it and sales penetration has been low. The market oriented definition could be :

   i. A product id considered new if it has been purchased by a relatively small (fixed) percentage of the potential market.

   ii. A product is considered new if it has been on the market for a relatively short (specified) period of time.

d) **Consumer Oriented:** The consumer-oriented approach to defining "innovation", is dealt through focus on consumer, and his/her reaction

towards the new product and service offering, in terms of acceptance and rejection. A new product is any product that a potential consumer judges to be new. Any product is regarded as "new", if the consumer believes it to be so; it is purely based on the consumers' perception of the newness of the product, rather than on technological changes that the product embodies.

10.7 TYPES OF PRODUCT INNOVATION

Let us discuss the following three types of product innovations:

1. **Continuous Innovations:** A product is regarded as a continuous innovation, if the product undergoes marginal modification over an existing product without disruption of usages and behavior pattern of consumer. For Example operating system Microsoft Windows 10 over windows 8. It is not a new product, but an improvement over the already existing one.
2. **Dynamically Continuous:** An innovation is regarded as dynamically continuous, if the product does not change the usage and behavior patterns. It may involve creation of new product or modification of existing product but does not alter behavior pattern. For example, the iPod (mp3 player) giving way to the walkman player.
3. **Discontinuous Innovations:** Discontinuous innovations lead consumers to adapt of new behavioral patterns in terms of usage and consumption. Examples methode cab Booking through OLA/ Uber apps. E- Books for students, Energy drinks, Patanjali Amla Juice.



CHECK YOUR PROGRESS

Q 1: Define Diffusion Process.

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Q 2: Write the types of product innovation.

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Q 3: Define market – oriented approach toward innovation.

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10.8 DIFFUSION OF INNOVATION THEORY

Diffusion of Innovation (DOI) Theory, developed by E.M. Rogers in 1962, is one of the oldest social science theories. It originated in communication to explain how, over time, an idea or product gains momentum and diffuses (or spreads) through a specific population or social system. The end result of this diffusion is that people, as part of a social system, adopt a new idea, behavior, or product. Adoption means that a person does something differently than what they had previously (i.e., purchase or use a new product, acquire and perform a new behavior, etc.). The key to adoption is that the person must perceive the idea, behavior, or product as new or innovative. It is through this that diffusion is possible.

Adoption of "innovation"(a new idea, behavior, or product) does not happen simultaneously in a social system; rather it is a process whereby some people are more apt to adopt the innovation than others. Researchers have found that people who adopt an innovation early have different characteristics than people who adopt an innovation later. Researchers have found that people who adopt an innovation early have different characteristics than people who adopt an innovation later

Roger's has proposed a classification of adopters, according to which consumers can be divided into five categories based on the time taken by them to adopt a product. These five adopter categories are innovators, early adopters, early majority, late majority, and laggards. Based on research, it has been observed that the five categories when plotted on a graph, lead to a bell-shaped normal distribution curve (See diagram 10.1). The five categories of adopters are explained as follows:

1. **Innovators:** These are people who are interested in new product and want to be the first to try the innovation. These are high on

confidence and risks takers. *Innovators* are the "early-bird" customers, i.e the first ones to adopt the new product. They do normally not represent more than 2.5% of the population. For the marketer, innovators are important since they represent the initial target and influence later adopters. A new product that fails to win the esteem of this group is not very likely to ever reach and penetrate the mass market. They try the innovation (new product or service) not because they possess a need, but because they seek innovation and desire new ideas and concepts.

2. **Early Adopters:** These are people who are calculated risk taker and represent as opinion leaders. *Early adopters* represent the next 13.5% of the population to adopt the new product. They are likely to be opinion leaders for others who will only buy the product when it has been "approved" by the early adopters. They try new innovation(the new product and service) not because they are fascinated towards the "new", but because they have a need. They usually collect information on the innovation (product or service) before taking the decision to purchase and They provide advice sought by the other adopters about innovation (new product and service).
3. **Early Majority:** *The early majority* accounts for about 34% of the population. This type of customer is more cautious of new products than the early adopters. If they are exposed to sufficient information, they will follow the example of the early adopters. The early majority is an important target for firms who aim for taking their products from the introduction to the growth stage of the Product Life Cycle. These people will adopt new ideas just before the average member of a social system. They frequently interact with inter personal groups an and seek evidence, collect information, evaluate it carefully before taking the decision to adopt the innovation. The process of early majority is longer than innovators and early adopters.
4. **Late Majority:** *The late majority* are the 34% of the population who are more skeptical about new products and harder to persuade. They place greater importance on word of mouth recommendations

than the media for to obtain information about new products. These people are very doubtful and cautious about the innovation(product & Service) and very reluctant to adopt innovation until it has been tried by the majority of people. They try the innovation because of economic necessity , social pressures, non-availability of the product.

5. **Laggards:** *Laggards* are the last 16% of the population. They are the most reluctant to try new products. Often, they adopt new products only when their favoured items have been discontinued. Members of this group are often older and/or from lower socio-economic groups. These people are very slow and last to adopt the innovation (product & service).They are very isolated and less interactive with society. They are bound by tradition and are very conservative.



Fig 10.1: Diffusion Process and PLC

Source: http://blog.leanmonitor.com/early-adopters-allies-launching-product/

10.9 FACTORS AFFECTING THE DIFFUSION OF AN INNOVATION

The diffusion of innovation and an adoption varies from product to product (or service to service). Some product or service offerings get immediate acceptance, and the diffusion is fast and for other products and services, the acceptance process may take certain amount of time. For example, the cable TV connection in India took a long time to get diffused, but for the disc TV technology, the rate of diffusion was very fast. Same as the cordless telephone as compare to mobile TV which got readily accepted by all and diffusion was fast.

There are certain product and service characteristics that affect the diffusion process. There can influence consumer acceptance of new products and services. The five factors that can impact the diffusion process are relative advantage, compatibility, complexity, trialability, and observability.

1. **Relative advantage:** In relative the advantage of the innovative (product or service) is perceived value is better or superior than the similar existing products or services. It accelerates the rate of adoption for the target market. The more radical a change, and the higher the relative advantage. The relative advantage may be in terms of better product (Features, attributes, benefits etc), price (discount, EMI option etc), availability (online, exclusive store etc). For example, E- books verses physical books in Library. Online movie ticket booking (book my show) versus Physical booking.
2. **Compatibility:** The more the product is compatible with the beliefs, attitudes and values of the individual or group the faster the diffusion - vegetables soup for vegetarians, ordinary microwave for no roasting. The compatibility of a product/service measures how closely it relates to the beliefs, attitudes and values of the individual or group. The higher the level of compatibility, the faster the diffusion. The lower the compatibility, the slower the diffusion. A product will diffuse more easily if it does not require consumers to change their beliefs, attitudes and values and behaviors. For example: KFC chicken meal, Mc doland burger took considerable amount of time to get diffused into the Indian society, as it was required to change the habit of eating the paratha, dal, roti and rice concept. Another example is, coconut oil as a medium of cooking would penetrate easily in South India and it is incompatible to people being in North India. Even if it is positioned as “healthy and natural cooking medium”, it would be very slow to penetrate.
3. **Complexity:** The product is more easily accepted if consumer quickly understands the use of the product quickly and vice versa. New Technology is always a berrier to diffusion as people resist to adopt because of the complexity of the usage. For example Ubantu free

operating system is not accepted by many people as compare to Windows license because of complexity of usage.

4. **Trialability:** The product or service which can be tested and tried then rate of acceptability is higher.The higher the degree of trialability, the greater would be the rate of diffusion s because consumer get an opportunity to try the test the product/service, assess it and decide to accept it or reject it. For example, Before Pantene shampoo was launched it was given as free sample to all consumer in an defined area to test product . Another Example id test drive of 4- wheeler /2 wheeler.
5. **Observability:** The product or service which is easily visible to consumer then the benefits of the products can be easily be observed, understand by consumer. The higher the degree of observability, the greater the chances of the innovative offering being accepted by the prospects. Those new product offerings that are i) tangible, ii) have social visibility, and iii) whose benefits easily observed are more readily diffused than those that are intangible, or have no social visibility or whose benefits accumulate over long periods of time.



CHECK YOUR PROGRESS

Q 4: Define the concept of diffusion.

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Q 5: Write the different categories of adopters.

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Q 6: Write any three factors that can impact the diffusion process

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10.10 CHANNELS OF COMMUNICATION

In unit 7, you have got some idea about communication process. Communication channels plays an important role in diffusion process.

Because the innovation is a new product, process, or idea, it must be communicated to potential adopters in order for them to assess its attributes and decide whether to try out and eventually adopt it. How quickly an innovation spreads through a market depends to a great extent on communication between marketer and consumer as well as communication among consumers, for example word of mouth communiaction.

In recent years various new channels of communication have been developed to inform consumer's innovation products and services. Electronic mass media channels such as television and radio are useful for raising awareness about the innovation, but cannot provide much detail (except for specialty radio programs). They can provide images and brand name identification, helping the attributes of compatibility and observability. Print mass media channels such as newspapers and magazines (and, to some extent, the Internet) are useful for explaining conceptual and technical details, helping out with the attributes of relative advantage and complexity. New media such as the World Wide Web can provide interesting mixtures of image, explanation, and demonstrations, thus also fostering trialability.

Interpersonal communication is especially important in changing opinions and reducing uncertainty about the innovation, as potential adopters turn to credible and important sources to provide first-hand experiences and legitimization of the new idea.

10.11 IMPORTANCE OF SOCIAL SYSTEM AND TIME IN DIFFUSION

Social System

A social system is defined as a set of interrelated units that are engaged in joint problem solving to accomplish a common goal. The members or units of a social system may be individuals, informal groups, organizations, and or subsystems. All members cooperate at least to the extent of seeking to solve a common problem in order to reach a mutual goal: Sharing of a common objective binds the system together.

There are certain social structure and norms will establish behaviour patterns. In some societies, new products are adopted very well. The role of opinion leader may also vary depending upon the solid structure and system. A 'sarpanch' giving advice on new farming techniques may be highly adopted by the farmers. Agri-marketing take strategies accordingly.

Time

Time is again is important in the diffusion process. It pervades the study of disffusion in three distinct ways:

1. **Purchase Time:** It refers to the amount of that elapses between consumers initial awareness of a new product or service and point at which they purchase or reject. Purchase time is important because the average time a consumer takes to adopt a new product is a predictor of the overall length of time it will take for the new product to achieve widespread adoption.
2. **Adopter categories:** It involves a classification scheme that indicates where a consumer stands in relation to other consumers in terms of time.
3. **Rate of Adoption:** it is concerned with how long it takes a new product/services to be adopted by members of social system. It states that how quickly it takes a new product to be accepted by those who will ultimately adopt it.

10.12 THE ADOPTION PROCESS

Adoption is an individual's decision to become a regular user of a product which may be an innovation in form of a good, service, or idea

The second major process in the diffusion in innovation is the adoption. The Adoption Process is a five step process by which consumer go through while adopting a product from learning about a new product to becoming a happy loyal user of that product or to decline/reject the product completely. The process of a consumer of moving from a cognitive state toward the emotional state and finally reaching towards the behavioral or conative state is Adoption Process.

1. Cognitive State can be defined as being informed and aware of the product existence.
2. Emotional State can be defined as the Likes/dislikes and preferences of the customer.
3. Behavioral or Conative State can be defined as taking the decision of purchase.

Adoption process is a series of stages by which a consumer might adopt a new product or service. Whether it is services or products, in today's competitive world, a consumer is faced with a lot of choices. How does he make a decision to adopt a new product is the Adoption process. There are five stages of adoption which a consumer goes through. The 5 stages are : awareness stage, interest stage, evaluation stage, trial stage, and adoption stage. Let us discuss these stages in the following:

1. **Awareness Stage:** In this stage the individual consumer becomes aware of the innovation. Introducing a product in the market and creating awareness for that product is the first stage of the Adoption process. Companies invest a lot in creating avenue for informing the consumer and customer. The companies use many advertising techniques and marketing materials like teasers, videos, banners and images. Creating a strong attractive presence for the newly launched product can attract more customers. In this era of internet marketing, online shopping and social media advertising the marketers uses these tools to create awareness about the product.
2. **Interest Stage:** During this stage of adoption process the consumer becomes more aware and informed about the product itself, the value the product deliver, its unique feature and the manufacturer of the product. In this stage, the consumer becomes interested in innovation and tries to collect more information.
3. **Evaluation Stage:** In this stage prior to purchasing, consumers examine, compare and evaluate the product. In this stage the consumer verifies the pro and cons of the product, the substitutes available in the market and the value for money. The consumer

outlines the unique selling proposition, identifies what your product offers against other competing products. When the evaluation is satisfactory, the consumer will actually try the product innovation n when the mental trial is unsatisfactory, the product will be rejected.

4. **Trail Stage:** In this phase of the Consumer Adoption Process the consumer use the product on trial basis. This is an important stage as it determines whether the consumer will adopt or reject the product.

5. **Adoption Stage:** If trial produces satisfactory results, finally the consumer decides to adopt/buy the innovation. The consumer is ready to adopt the product which means that he is ready to actually spend the money on the product. The Adoption phase is the most critical stage in the whole process as the companies needs the consumers to accept the product.



CHECK YOUR PROGRESS

Q 7: What is Social System?

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Q 8: What are the five stages of adoption?

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10.13 LET US SUM UP

In this unit we discussed the following:

- Diffusion process is a macro process concerned with the spread of a new product (an innovation) from its source to the consuming public.
- Adoption is a micro process that focuses on the stages through which an individual consumer passes when deciding to accept or reject a new product.

- An innovation is an idea, practice, or product, perceived to be new by an individual or a group. A product is said to be an innovation when it is perceived by the potential market as a change, and not by a technological change brought in it.
- There are various approaches to define new product/service. They are: Firm-oriented, Product oriented , Market-oriented and Consumer Oriented.
- Types of product innovation are Continuous Innovations, Dynamically Continuous and Discontinuous Innovations.
- The diffusion process is linked to the adoption process, which describes the way in which an individual customer learns about an innovation. During the market diffusion process, the marketer must recognize that people differ greatly in their readiness to adopt new products.
- The five categories of adopters are Innovators, Early Adopters, Early Majority, Late Majority and Laggards.
- The five factors that can impact the diffusion process are relative advantage, compatibility, complexity, trialability, and observability.
- Communication channels play an important role in diffusion process.
- A social system is defined as a set of interrelated units that are engaged in joint problem solving to accomplish a common goal. The members or units of a social system may be individuals, informal groups, organizations, and or subsystems. All members cooperate at least to the extent of seeking to solve a common problem in order to reach a mutual goal: Sharing of a common objective binds the system together.
- Time is again is important in the diffusion process.
- There are five stages of adoption which a consumer goes through, they are: awareness stage, interest stage, evaluation stage, trial stage, and adoption stage.
- Adoption process is a series of stages by which a consumer might adopt a new product or service.



10.14 FURTHER READING

1) Schiffman and Kumar (2015); Consumer Behaviour; Pearson Education India; 11 edition.
2) Schiffman, Leon G. (2010); Consumer Behavior; Pearson; Tenth edition.
3) Sahney S (2017); Consumer Behaviour; Oxford University Press.



10.15 ANSWERS TO CHECK YOUR PROGRESS

Ans to Q No 1: Diffusion process is concerned with how innovation is spread, and how they are assimilated within a market.

Ans to Q No 2: The types of are product innovations are Continuous Innovations, Dynamically Continuous and Discontinuous Innovations

Ans to Q No 3: The market-oriented approach judges “innovation” purely from a marketers’ perspective. It is the exposure the consumers have about the “new’’ product and the total sales penetration that has occurred in the short period of time frame. The product is regarded “new” if the market does not have much exposure of it and sales penetration has been low.

Ans to Q No 4: Diffusion is the process by which an innovation is spread through certain channels such as mass media, sales people and informal conversation etc to the members of a social system over a period of time.

Ans to Q No 5: The five categories of adopters are Innovators, Early Adopters, Early Majority, Late Majority and Laggards.

Ans to Q No 6: The three factors that can impact the diffusion process are relative advantage, compatibility, complexity, trialability, and observability.

Ans to Q No 7: A social system is defined as a set of interrelated units that are engaged in joint problem solving to accomplish a common goal.

Ans to Q No 8: There are five stages of adoption which a consumer goes through. The five stages are : awareness stage, interest stage, evaluation stage, trial stage, and adoption stage.



10.16 MODEL QUESTIONS

Q 1: Define the concept of diffusion of innovation.

Q 2: Explain the the diffusion process.

Q 3: Define innovation.

Q 4: Describe the types of product innovation. Describe the approaches have been taken to define new product/service.

Q 5: What is diffusion?

Q 6: Explain the diffusion of innovation theory with an illustrauon.

Q 7: Describe the factors affecting the diffusion of an innovation.

Q 8: Write the importance of channels of communication in diffusion process.

Q 9: Explain is the role of social system and time in diffusion process.

Q 10: Explain the adoption process.

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UNIT 11: SITUATIONAL INFLUENCE ON CONSUMER DECISIONS AND THE DECISION MODELS

UNIT STRUCTURE

11.1 Learning Objectives

11.2 Introduction

11.3 Concept of Situational Influence

11.4 Situational Factors Affecting Consumer Buying Behavior

11.5 Types of Consumer Buying Behavior

11.6 Models of Consumer Decision Making

- 11.6.1 Nicosia Model of Consumer Behavior
- 11.6.2 Howard Sheth Model
- 11.6.3 Engel, Blackwell, Miniard (EBM) Model (Consumer Decision Model)
- 11.6.4 Bettman Information Processing Model of Consumer Choice

11.7 Let Us Sum Up

11.8 Further Reading

11.9 Answers to Check Your Progress

11.10 Model Questions

11.1 LEARNING OBJECTIVES

After going through this unit, you will be able to:

- outline the concept of situational influence
- list out the situational factors affecting consumer's buying behavior
- describe types of consumer buying behavior
- explain the Nicosia Model of Consumer Behavior, Howard Sheth Model, Engel, Blackwell, Miniard (EBM) Model (Consumer Decision Model) and Bettman Information Processing Model of Consumer Choice.

11.2 INTRODUCTION

In the last unit we have studied about diffusion of Innovation, its various types and the various factors affecting diffusion of innovation.

A tourist is unlikely to purchase high volume goods. A tourist may buy high value items of low volume as it would be difficult to carry the item while on tour. Many types of consumer go for impulse boying i.e. the unplanned buying. While on the street, the consumer may feel like and buy a bottle of Pepsi, though the consumer may not be thirsty.

In this unit we will examine the situations in which consumption occurs and the way situations influence the consumer buying behavior. The nature of situation, situational variables and the types of consumer decisions. Consumer brying behaviour is presented through some models. Also we will study some promenent models like Nicosia Model of consumer decision– making, Howardsheth Model, Engel Blackwell miniard model and Bettman Information Processing Model.

11.3 CONCEPT OF SITUATIONAL INFLUENCE

Situational influences can be defined as all those factors particular to a time and place of observation that has a demonstrable and systematic effect on current behavior. These influences may be perceived either consciously or subconsciously and may have considerable effect on product and brand choice. 1. Physical features are the most readily apparent feature of the situation. 2. Social features provide additional depth to a description of a situation. 3. Time is a dimension of situation that may be specified in units ranging from time of day to season of the year. 4. Task features of a situation include an intent or requirement to select, shop for, or obtain information about a general or specific purchase. 5. Current conditions make up final features that characterize a situation.

11.4 SITUATIONAL FACTORS AFFECTING CONSUMER's BUYING BEHAVIOUR

Situational influences on consumer buying behaviour are actually

impermanent conditions that impact how they behave. It pertains to whether consumers really purchase a marketer's product, purchase supplementary products, or does not purchase anything from him. These factors are a significant interfering variable among the moderately unvarying family framework and buying decision behavior. By controlling these factors a marketer can easily affect consumer buying behavior. Substantial situational factors that affect consumers' buying behaviour or purchasing decision can be divided into following five significant categories:

- **Physical Surroundings:** This category of situational factors include marketer's geographical and institutional location, furnishings, sounds, lighting, aromas, weather, signs and observable contours as well as products, exhibits or other materials circumventing the stimulus thing. Significant physical factors also include store design and layout that if considered by markers at the time of designing their facilities can benefit them in increasing consumers' purchase. Most of the grocery stores used to place bread and milk on the differing ends of the stores as consumers need both of these products. For purchasing both of these products they will visit the whole store and might also see and purchase other items. The next substantial physical factor that affects consumers' purchasing decision is store location. If store location is convenient, it will definitely attract more and more consumer.
- **Social Surroundings:** Social surroundings related to a purchase involve features and fundamental interactions of other people who are present throughout a purchase decision or who may be there when the product is utilized or consumed coffee. The social situation in which a consumer is will significantly affect what he will buy, how much he will buy and when. Most of us see college students buying different products outside retail stores or shopping malls but we don't purchase anything from them but if we see someone whom we know, it will affect our decision. By understanding the social situation in which a consumer is, marketer can significantly affect their purchase decisions. When a student is in college he/she will not spend much amount on

fast-food but when he/she is in a restaurant with his/her special friend or close friend he/she will definitely spend much more on his/her food or drink. In this way, consumers purchasing decisions are highly affected by their social situation or surroundings that if understood by marketers can assist them with effective selling strategies. Social surroundings have significant influence on the consumers throughout their purchase and consumption process.

- **Time:** The next situational factor that influences consumer purchasing decision is time. Time affects consumers buying decision process in a number of ways like the amount of time necessitated to become well-informed about a product, to look for it, and to pay money for and make use of it. In addition to this, other time aspects that affect consumers purchase are time of day, day of the week or month, times of year. For example, During diwali time ,consumer purchase new things. So, by managing and handling time, marketers can positively affect consumers' purchasing decisions. The companies or marketers should design strategies that accommodated this need of consumers. In this way, by identifying time related factors that affects consumers' decision-making, a marketer can become able in serving its consumers in a much more enhanced way.
- **Purchasing Reason:** Another situational influence is related to consumers' purchasing reason. It is a significant factor that affects consumers' every purchase decision. For example, when we go to but a gift for friend it differs from what we buy from out closed ones or family members. Our purchasing totally differs with our purchasing reason and this in turn will also affect the time spend on purchasing. Purchasing decision is significantly affects by the reason to purchase a product as every product fulfils different needs and necessity of consumers. Nowadays, every company designs different offerings for kids, youngsters and old aged people as they know all of them have different reasons for their purchase.
- **Buyer's Mood and Conditions:** The last significant situational factor that influences consumers buying decision process is their temporary

moods or momentary situations. Any of the given mood or condition may affect consumers ability and want to look for information, obtain information and evaluate available alternatives. These can also affect a consumers' postpurchase evaluation. Individuals mood temporarily impact their spending habits like if an individual is having headache and he can feel relax by having a coffee; he will have coffee. On the other hand, if his headache cannot be affected by a coffee, he will not buy coffee. As well, if an individual is not having sufficient money to spend and purchase coffee, he will not purchase it. So, overall it can be said that mood and conditions significantly affect consumers' purchasing decision and by understanding it their purchasing decisions can be significantly affected by marketers.

Understanding of all the above situational influences provides the ways through which a marketer can affect its consumers purchasing decision processes.



CHECK YOUR PROGRESS

Q 1: State the concept of situational influences on buyer behaviour.

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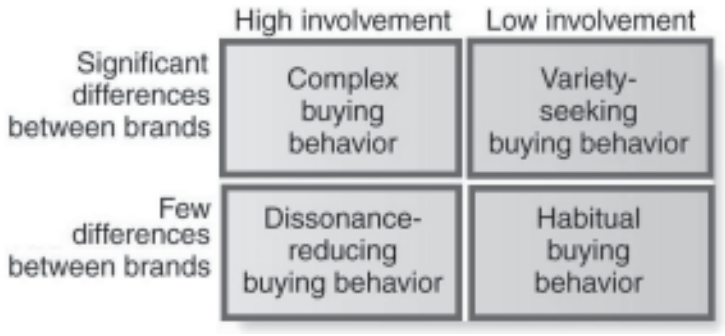
Q 2: Categorise the factors of situational influence.

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11.5 TYPES OF CONSUMER BUYING BEHAVIOUR

Consumer decision making varies with the type of buying decision. Buying a football is totally different from buying a luxury car. The more expensive the good is the more information is required by the consumer. There are four types of consumer buying behavior on the basis of buyer involvement while purchasing any product. Henry Assael identified four types of consumer buying behavior based on the degree of buyer involvement and the degree of differences among brands.



Source : mbaknol.com/marketing-management/types-of-consumer-buying-behavior/

1. **Complex Buying Behaviour :** This buying behaviour is referred to as a complex buying behavior because the consumers are highly involved in a purchase decision and are aware of significant differences existing among brands. For instance, consumer may interested in purchasing a Color Television set to replace the existing black and white one. There may have various brand and different attributes and consumer may of clear brand concepts and do not know what product attributes or features to consider while choosing a good television set. Such a buyer will pass through a cognitive learning process characterized by first developing beliefs about the product, then moving towards attitude, towards the product and finally making a deliberate purchase choice. The marketer must understand the information gathering and evaluation activities of the prospective consumers. They have to educate the prospective buyers to learn about the attributes of the product class, their relative importance and the high standing of the marketer's brand on the more important brand attributes. The marketer must be able to provide his consumer with a very specific and unique set of positive attributes regarding his own brand, so that the purchase decision is made in his favor. In other words, the marketing communications should be aimed at supplying information and help the consumer to evaluate and feel good about his/her brand choice.

   The marketer has to spend large amounts of money in educating the consumers about his product. The consumer in turn needs a

great deal of information before they can take a decision; and the decision process takes a longer time.

2. **Dissonance – Reducing Buying Behaviour:** In this type of buying behavior, the consumer is familiar with the product and various brands available, but has no established brand preference. Here the buyer is more complex as compared to routine buying behavior because the consumer is confronted with an unfamiliar brand in a familiar product class. The consumer would like to gather additional information about the brands to arrive at his brand decision.

   For instance, a housewife buys cooking oils for her cooking and she may be familiar with the concept of Olive oil, vegetable oil, and ghee. She may also know about some of the leading brands available. But to establish her choice of brand, she would like to check with her friends and regular store about the attributes of each. After the purchase, the consumer might experience post purchase dissonance because of noticing certain disquieting features of oil or hearing favourable things about other cooking oils. Thus the consumer first passed through a state of behavior ,then acquired some new beliefs and ended up evaluating the choice favorably. Here the marketer's job is to design amarketing communication programme, which will help the buyer to gather more information, beliefs and the consumer feel good about his or her choice and gain confidence in the brand after the purchase.

3. **Routinized Response Behavior (RRB)/ Habitual Buying Behavior:** This is the simplest type of consumer behavior. This occurs when the consumer already has some experience of buying and using the product. Usually, this kind of behavior is adopted for the purchase of low cost, frequently used items. In such cases the buyers do not give much thought, or search and also do not take a lot of time to make the purchase. Most of the time the buyer is familiar with the various brands available and the attributes of each and has a well-established criteria for selecting their own brand. The buyers are well aware of the product class, know the brands and

also have a clear preference among the brands. The degree of involvement in buying such products is low. In such a case, the marketer has to ensure two tasks: (a) The marketer must continue to provide satisfaction to the existing customers by maintaining quality, service and value. (b) He must try to attract new customers by making use of sales promotion techniques like points of purchase displays, off-price offers, etc., and also introduce new features to the products.

4. **Variety Seeking:** Consumers often express satisfaction with their present brand but still engage in brand switching.The motive is variety seeking, which occurs most often when there are many similar alternatives, frequent brand shifts, and high purchase frequency. The consumer buys the product quickly. For example of Toothpaste. The consumers has some beliefs about Toothpaste chooses a brand of Toothpaste without much evaluation and evaluates the product during consumption. Next time, the consumer may reach for another brand out of a wish for a different taste. In this case the brand switching occurs for the sake of variety rather than dissatisfaction.



CHECK YOUR PROGRESS

Q 3: Write the various types of consumer buying behavior.

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11.6 MODELS OF CONSUMER DECISION MAKING

The consumer models refer to varying orientations and perspectives with which consumers approach the marketplace and how/why they behave as they do. They refer to how the varying orientations impact the buying decision process and overall buyer behavior. Various models have been proposed by researchers.

11.6.1 Nicosia Model of Consumer Behavior

Nicosia Model of Consumer Behavior was developed in 1966, by Professor Francesco M. Nicosia, an expert in consumer motivation and behavior. This model focuses on the relationship between the firm and its potential consumers. The model suggests that messages from the firm (advertisements) first influences the predisposition of the consumer towards the product or service. Based on the situation, the consumer will have a certain attitude towards the product. This may result in a search for the product or an evaluation of the product attributes by the consumer. If the above step satisfies the consumer, it may result in a positive response, with a decision to buy the product otherwise the reverse may occur. Looking to the model we will find that the firm and the consumer are connected with each other, the firm tries to influence the consumer and the consumer is influencing the firm by his decision.

The Nicosia model of Consumer Behavior is divided into four major fields:

Field 1: The firm's attributes and the consumer's attributes. The first field is divided into two subfields. The first subfield deals with the firm's marketing environment and communication efforts that affect consumer attitudes, the competitive environment, and characteristics of target market. Subfield two specifies the consumer characteristics e.g., experience, personality, and how he perceives the promotional idea toward the product in this stage the consumer forms his attitude toward the firm's product based on his interpretation of the message.

Field 2: Search and evaluation. The consumer will start to search for other firm's brand and evaluate the firm's brand in comparison with alternate brands. In this case the firm motivates the consumer to purchase its brands.

Field 3: The act of the purchase. The result of motivation will

arise by convincing the consumer to purchase the firm products from a specific retailer.

Field 4: Feed back of sales results. This model analyses the feedback of both the firm and the consumer after purchasing the product. The firm will benefit from its sales data as a feedback, and the consumer will use his experience with the product affects the individual's attitude and predisposition's concerning future messages from the firm.

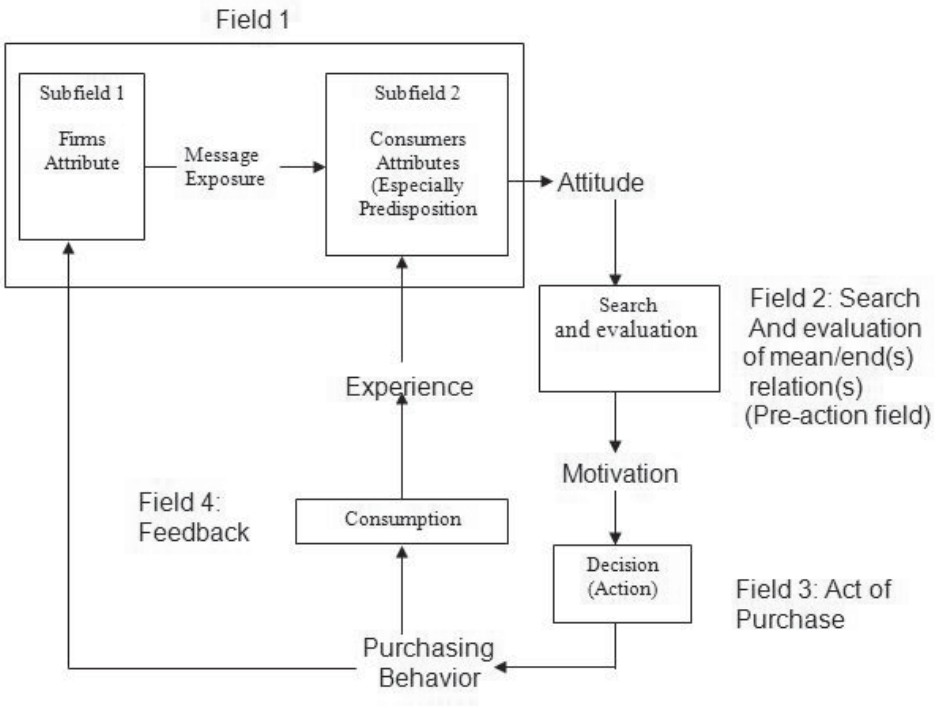


Fig 11.1: Nicosia model of Consumer Decision Making

(Source: www.mbaknol.com/marketing-management/nicosia-model-of-consumer-behavior/)

With this model Nicosia was able to represent consumer's behaviour in respect of message exposure, expenence and consumer motivation toward purchasing behavior.

when receivers of a message and has agents in the buying process generated by that flow of information from a company.

The Nicosia model of consumer behavior offers no detail explanation of the internal factors, which may affect the personality

of the consumer, and how the consumer develops his attitude toward the product. For example, the consumer may find the firm's message very interesting, but virtually he cannot buy the firm's brand because it contains something prohibited according to his beliefs. Apparently it is very essential to include such factors in the model, which give more interpretation about the attributes affecting the decision process.

11.6.2 Howard Sheth Model

John Howard and Jagadish Sheth put forward the Howard Sheth model of consumer behavior in 1969, in their publication entitled, 'The Theory of buyer Behaviour'. Through the model, Howard and Sheth, tried to explain buyer rationality while making purchase decisions even in conditions of incomplete information.

The model has four major components, viz., stimulus inputs (input variables), hypothetical constructs, response outputs (output variables), and, exogenous variables. The logic of the Howard Sheth model of consumer behavior summarize is that there are inputs in the form of Stimuli. There are outputs beginning with attention to a given stimulus and ending with purchase. In between the inputs and the outputs there are variables affecting perception and learning. These variables are termed 'hypothetical' since they cannot be directly measured at the time of occurrence.

The Howard Sheth model suggests three levels of decision making:

1. The first level describes the **extensive problem solving**. At this level the consumer does not have any basic information or knowledge about the brand and he does not have any preferences for any product. In this situation, the consumer will seek information about all the different brands in the market before purchasing.
2. The second level is **limited problem solving**. This situation exists for consumers who have little knowledge about the market, or partial knowledge about what they want to

purchase. In order to arrive at a brand preference some comparative brand information is sought.

3. The third level is a **habitual response behavior**. In this level the consumer knows very well about the different brands and he can differentiate between the different characteristics of each product, and he already decides to purchase a particular product.

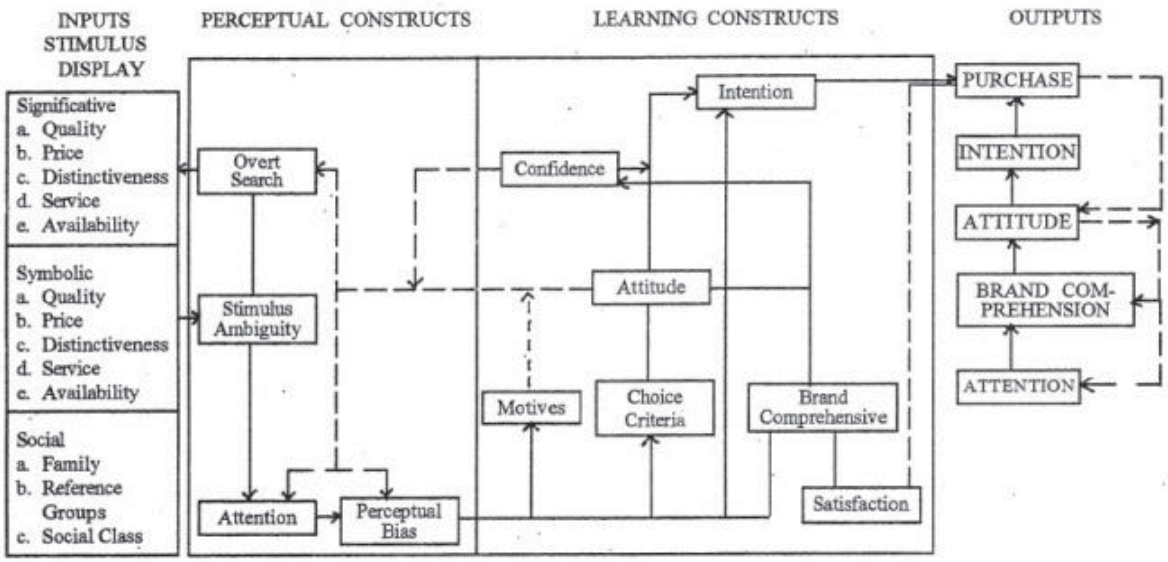
According to the Howard Sheth model of consumer behavior there are four major sets of variables; namely:

1. Inputs: These input variables consist of three distinct types of stimuli (information sources) in the consumer's environment. The marketer in the form of product or brand information furnishes physical brand characteristics (significative stimuli) and verbal or visual product characteristics (symbolic stimuli). There are impersonal sources like mass media communication and advertising, over which the firm has no control. However, the information sources also include sales and service personnel who can add and help the marketing efforts of the firm. The third type is provided by the consumer's social environment (family, reference group, and social class). This social source is personal and the company/marketer has no control over this source. All three types of stimuli provide inputs concerning the product class or specific brands to the specific consumer.

2. Perceptual and Learning Constructs: The central part of the model deals with the psychological variables involved when the consumer is contemplating a decision. Some of the variables are perceptual in nature, and are concerned with how the consumer receives and understands the information from the input stimuli and other parts of the model. For example, stimulus ambiguity happened when the consumer does not understand the message from the environment. Perceptual bias occurs if the consumer distorts

the information received so that it fits his or her established needs or experience. Learning constructs category, consumers' goals, information about brands, criteria for evaluation alternatives, preferences and buying intentions are all included. The proposed interaction In between the different variables in the perceptual and learning constructs and other sets give the model its distinctive advantage.

3. **Outputs:** The outputs are the results of the perceptual and learning variables and how the consumers will response to these variables (attention, brand comprehension, attitudes, and intention).
4. **Exogenous (External) variables:** Exogenous variables are not directly part of the decision-making process. However, some relevant exogenous variables include the importance of the purchase, consumer personality traits, religion, and time pressure.



(Source: John A Howard, Jagdish Sheth. The Theory of Buyer Behaviour, John Wiley, 1969)

Fig 11.2: Howard-Sheth Model

The decision-making process, which Howard-Sheth Model tries to explain, takes place at three Inputs stages: Significance, Symbolic and Social stimuli. In both significative and symbolic stimuli, the

model emphasizes on material aspects such as price and quality. These stimuli are not applicable in every society. While in social stimuli the model does not mention the basis of decision-making in this stimulus, such as what influence the family decision? This may differ from one society to another.

Most scholars agree that the study of consumer behavior was advanced and given an impetus by Howard Sheth Model. The major advantage and strength of the model lied in the precision with which a large number of variables have been linked in the working relationships to cover most aspects of the purchase decision and the effective utilization of contribution from the behavioral sciences.

Finally, no direct relation was drawn on the role of religion in influencing the consumer's decision-making processes. Religion was considered as external factor with no real influence on consumer, which give the model obvious weakness in anticipation the consumer decision.

11.6.3 Engel, Blackwell, Miniard (EBM) Model (Consumer Decision Model)

The Engel Blackwell Miniard Model consists of four sections viz., (i) information input; (ii) information processing; (iii) decision process and (iv) variables influencing the decision process.This model was originally developed in 1968 by Engel, Kollat, and Blackwell and has gone through numerous revisions; the latest publication of the model; which known as EBM Model is depicted in Figure 11.3. According to the EBM model, the consumer decision-making process isinfluenced and shaped by a number of factors and determinants, categorised inthree broad categories,namely Individual differences, Environmental influences and Psychological processes. In this model many of the elements of the model are similar to those presented in the Theory of Buyer Behaviour (Howard

and Sheth 1969), however the structure of presentation and relationship between the variables differs some what.

The model is structured around a seven point decision process: need recognition followed by a search of information both internally and externally, the evaluation of alternatives, purchase, post purchase reflection and finally, divestment. These decisions are influenced by two main factors. Firstly stimuli is received and processed by the consumer in conjunction with memories of previous experiences, and secondly, external variables in the form of either environmental influences or individual differences.

The environmental influences identified include: Culture; social class; personal influence; family and situation. While the individual influences include: Consumer resource; motivation and involvement; knowledge; attitudes; personality; values and lifestyle.

The Engel, Blackwell, Miniard(EBM)model is based on theEngel, Kollat& Blackwell(EKB) model.

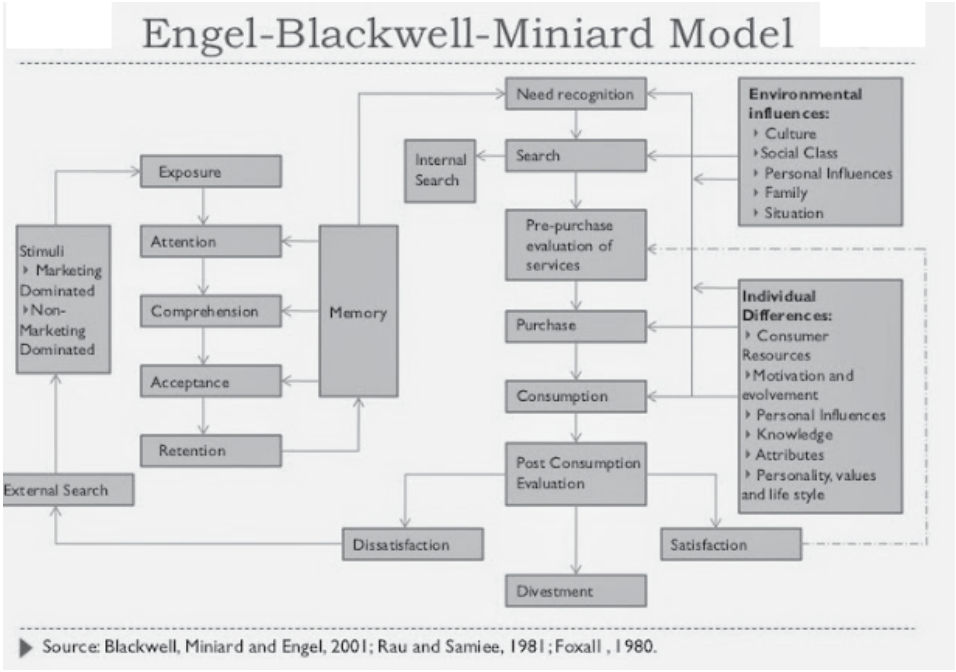


Fig 11.3: Engel-Blackwell-Miniard Model

Source: (Blackwell,Miniard *et al.* 2001)

Let us discuss the model in following ways:

Entry to the model is through **need recognition** when the consumer acknowledges a discrepancy between their current state and some desirable alternative. This process is driven by an interaction between processed stimuli inputs and environmental and individual variables. In simple words, this is the satge where the consumer senses a difference between what is perceived as an ideal state of affairs compared to the actual state at any given time. Need recognition is therefore a state of desire, initiating a decision process that occurs throughout the interaction of individual differences and environmental influences. After a need has been acknowledged the consumer embarks on a **search for information,** both internally through the consumers' memory bank of previous experiences, and externally. This is the second stage of the decision process is that of internal search into memory to determine whether or not enough is known about alternatives to make a decision without additional information searches. If there is not sufficient information contained in memory, consumers will engage in external search. The authors argue that the model is suitable for use in explaining situations involving both extended problem solving and limited problem solving by modifying the degree to which various stages of the model are engaged in by the consumer. The depth of information search will be highly dependant on the nature of problem solving, with new or complex consumption problems being subjected to extensive external information searches, while simpler problems may rely wholly on a simplified internal search of previous behaviour. Information is said to pass through five stages of processing before storage and use, namely: exposure, attention, comprehension, acceptance and retention. The alternative consumer choices are evaluated by the establishment of beliefs, attitudes and purchase intentions. This **process of evaluation** is influenced by both the environmental variables and the individual variables. Intention is depicted as the direct antecedent to purchase which is the only outcome tolerated by the model. Inhibitors are not explicitly depicted as mediating between intentions and purchase, however the environmental and individual influences are again said to act

on purchase. *Situation* is listed as an environmental influence, and while this factor is not clearly defined, it could include such factors as time pressure or financial limitations which could serve to inhibit the consumer from realising their purchase intentions.**Consumption** is followed by **post-consumption** evaluation which serves a feedback function into future external searches and belief formation**. Divestment** is depicted as the final stage in the consumption process acknowledging that the product purchased is likely to be disposed of at some point post consumption.



CHECK YOUR PROGRESS

Q 4: What are the four major fields of Nicosia model of Consumer Behavior?

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Q 5: The Engel, Blackwell, Miniard (EBM) Model consists of four sections. They are:

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11.6.4 Bettman Information Processing Model of Consumer Choice

In this model, the consumer is portrayed as possessing a limited capacity for processing information. Bettman implicate that the consumers rarely analyze the complex alternatives in decision making and apply very simple strategy.

In **Bettman Information Processing Model**, the consumer is portrayed as possessing a limited capacity for processing information. When faced with a choice, the consumer rarely undertakes very complex analyses of available alternatives. Instead, the consumer typically employs simple decision strategies or heuristics. These simplifying decision rules assist the consumer

in arriving at a choice by providing a means for sidestepping the overly overburden task of assessing all the information available about all the alternatives. Lillien and Kotler describe this model as comprising of two parts namely Basic Hierarchyand intermediate/ Modulating Process.

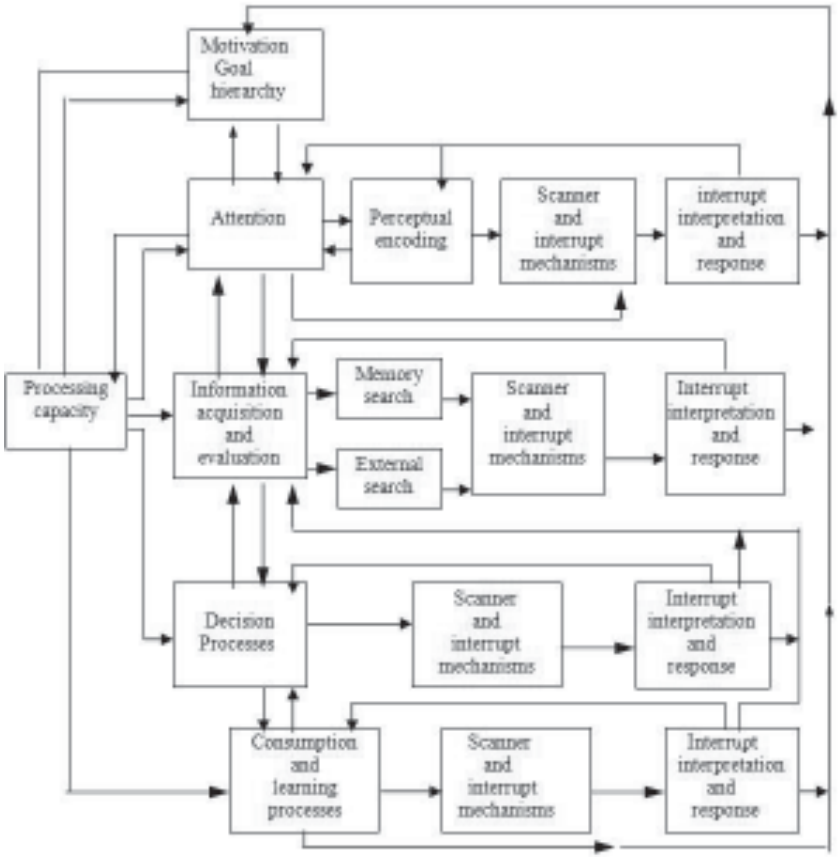


Fig 11.4: Bettman Information Processing Model of Consumer Choice

Source: https://www.mbaknol.com/marketing-management/bettman-information-processing-model-of-consumer-choice/

In Bettman Information Processing Model, there are seven major stages.

1. **Processing Capacity:** In this step he assumes that the consumer has limited capacity for processing information, consumers are not interested in complex computations and extensive information processing. To deal with this problem, consumers are likely to select choice strategies that make product selection an easy process.

2. **Motivation:** Motivation is located in the center of Bettman Information Processing Model, which influence both the direction and the intensity of consumer choice for more information in deciding between the alternatives. Motivation is provided with hierarchy of goals mechanism that provides a series of different sub-goals to simplify the choice selection. This mechanism suggests that the consumers own experience in a specific area of market and he doesn't need to go through the same hierarchy every time to arrive at a decision, which make this mechanism serves as an organizer for consumer efforts in making a choice. No concern was given on religious motives, and how religion may motivate the consumer in his decision.
3. **Attention and Perceptual Encoding:** The component of this step is quite related to the consumer's goal hierarchy. There are two types of attention; the first type is voluntary attention, which is a conscious allocation of processing capacity to current goals. The second is involuntary attention, which is automatic response to disruptive events (e.g., newly acquired complex information). Both different types of attention influence how individuals proceed in reaching goals and making choices. The perceptual encoding accounts for the different steps that the consumer needs to perceive the stimuli and whether he needs more information.
4. **Information Acquisition and Evaluation:** If the consumer feels that the present information is inadequate, he will start to look for more information from external sources. Newly acquired information is evaluated and its suitability or usefulness is assessed. The consumer continues to acquire additional information until all relevant information has been secured, or until he finds that acquiring additional information is more costly in terms of time and money.

5. **Memory:** In this component the consumer keeps all the information he collects, and it will be the first place to search when he need to make a choice. If this information's is not sufficient, no doubt he will start looking again for external sources.
6. **Decision Process:** This step in Bettman Information Processing Model indicates that different types of choices are normally made associated with other factors, which may occur during the decision process. Specifically, this component deals with the application of heuristics or rules of thumb, which are applied in the selection and evaluation of specific brand. These specific heuristics a consumer uses are influenced by both individual factors (e.g., personality differences) and situational factors (e.g., urgency of the decision); thus it is unlikely that the same decision by the same consumer will apply in different situation or other consumer in the same situation.
7. **Consumption and Learning Process: I**n this stage, the model discusses the future results after the purchase is done. The consumer in this step will gain experience after evaluating the alternative. This experience provides the consumer with information to be applied to future choice situation. Bettman in his model emphasize on the information processing and the capacity of the consumer to analyze this information for decision making, but no explanation was given about the criteria by which the consumer accepts or refuses to process some specific information.

   Consumer buying behavior is a complex phenomenon. The models as outlined above have tried to capture and present different aspacts associated with consumer buying behavior.



11.7 LET US SUM UP

In this unit we discussed the following:

- Situational influences can be defined as all those factors particular to a time and place of observation that has a demonstrable and systematic effect on current behavior. These influences may be perceived either consciously or subconsciously
- Consumers' buying behaviour or purchasing decision can be divided into five significant categories: Physical Surroundings, Social Surroundings, Time, Purchasing Reason and Buyer's Mood and Conditions
- There are four types of consumer buying behavior on the basis of buyer involvement while purchasing any product. They are: Complex Buying Behaviour, Dissonance – Reducing Buying Behaviour, Routinized Response Behavior (RRB)/ Habitual Buying Behavior and Variety Seeking.
- The consumer models refer to varying orientations and perspectives with which consumers approach the marketplace and how/why they behave as they do. Various models have been proposed by researchers are: Nicosia Model of Consumer Behavior, Howard Sheth Model, Engel, Blackwell, Miniard(EBM) Model (Consumer Decision Model) and Bettman Information Processing Model of Consumer Choice.



1.8 FURTHER READING

1) Schiffman and Kumar (2015); Consumer Behaviour; Pearson Education India; 11 edition.
2) Schiffman, Leon G. (2010); Consumer Behavior; Pearson; Tenth edition.
3) Sahney S (2017); Consumer Behaviour; Oxford University Press.



11.9 ANSWERS TO CHECK YOUR PROGRESS

Ans to Q No 1: Situational influences imply as all those factors particular to a time and place of observation that has a demonstrable and systematic effect on current behavior. These influences may be perceived either consciously or subconsciously and may have considerable effect on product and brand choice.

Ans to Q No 2: Situational factors that affect consumers' buying behaviour or purchasing decision can be divided into following five significant categories: Physical Surroundings, Social Surroundings, Time, Purchasing Reason and Buyer's Mood and Conditions

Ans to Q No 3: The types of buying behavior can by categoried as follows : Complex Buying Behaviour, Dissonance –Reducing Buying Behaviour, Routinized Response Behavior (RRB)/ Habitual Buying Behavior and Variety Seeking.

Ans to Q No 4: Nicosia model of Consumer Behavior is divided into four major fields:

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

Field 2: Search and evaluation

Field 3: The act of the purchase

Field 4: Feed back of sales results

Ans to Q No 5: The Engel, Blackwell, Miniard Model consists of four sections. They are : information input, information processing, decision process and variables influencing the decision process.



11.10 MODEL QUESTIONS

Q 1: State the concept of situational influence on consumer buying behavior.

Q 2: Discuss are the situational factors affecting consumer's buying behavior.

Q 3: Explain the different types of consumer buying behavior.

Q 4: Explain with an illustration the essence of Nicosia model of consumer behavior.

Q 5: Discuss the essence Howard Sheth Model.

Q 6: Explain with an illustration the essence of Engel, Backwell,Miniard (EBM) model (consumer decision model).

Q 7: What is 'Bettman Information Processing Model' of consumer choice? Explain the essence of this model with illustrating.

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UNIT 12: CONSUMER DECISION MAKING PROCESS

UNIT STRUCTURE

12.1 Learning Objectives

12.2 Introduction

12.3 Opinion Leadership

12.4 Motivation Behind Opinion Leadership

- 12.4.1 Need of Opinion Leaders
- 12.4.2 Need of Opinion Receiver
- 12.4.3 Opinion Leadership and Promotional Strategy

12.5 Diffusion and Adoption Process of Innovation

- 12.5.1 Diffusion Process
- 12.5.2 Adoption Process

12.6 Consumer Innovators

12.7 Consumer Decision Making

- 12.7.1 Levels of Consumer Decision Making

12.8 Consumer Gifting Behaviour

12.9 Let Us Sum Up

12.10 Further Reading

12.11 Answers to Check Your Progress

12.12 Model Questions

12.1 LEARNING OBJECTIVES

After going through this unit, you will be able to:

- state the meaning opinion leadership
- learn the motivations behind the opinion leadership
- describe the two fold process of spread and acceptance of innovative products
- learn about the personal characteristics of innovator
- discuss the consumer decision making process
- discuss the three levels of consumer decision making
- know about the nature and scope of consumer gift giving.

12.2 INTRODUCTION

In this unit we are going to discuss about consumer decision making process. So, here it is important to discuss the Opinion Leadership,diffusion and Adoption Process of Innovators,consumer Decision Making and consumer Gifting Behaviour. In the previous unit we have discussed about opinion leadership, choosing products and services, consumers are often influenced by advice from other people. Buying decisions influenced from others include which restaurant to eat in, which computer printer is the “best buy”, and which coach will improve one’s game. Opinion leadership involves so much social interaction about so many possible products or services that it is often difficult for consumers to remember the extent to which they have participated in informal communications that have either influenced their consumption behaviour or the consumption behaviour of others. In this unit we shall discuss more about opnion leadership which discuring innovations, we shall also discuss about consumer decision making as regards buying and gifting.

12.3 OPINION LEADERSHIP

Opinion leadership is the process by which one person informally influences the actions or attitudes of others, who may be opinion seekers or opinion recipients. Here the person who influences the recipient is called the opinion leader. This influence is informal and verbal and the informal flow of consumer-related influence between two people is referred to as product-related conversation, or word-of-mouth communication.

The chief characteristic of such communication is that it is interpersonal and informal and takes place between two or more people, none of whom represents a commercial selling source. Word-of-mouth implies personal, or face-to-face, communication. It may also take place over telephone.

One of the parties in an informal communications usually offers advice or information about a specific product or product category, such as which of several brands is best, or how a particular product may be

used. Here the person who offers information is the opinion leader, and he may be an opinion receiver when another product or product category is discussed.

Individuals who actively seek information and advice about products are called *opinion seekers* and those who receive unsolicited information are called *opinion receiver.*

A simple example of the opinion leadership is given below:

When an office worker mentions to co-workers his need for a new car, a co-worker suggests that he take a look at a particular new model.

The opinion leadership process is very dynamic. As informal communication sources, opinion leaders are effective at influencing consumers in their product related decisions. Some of the reasons for their effectiveness are as follows:

- Opinion leaders are highly credible sources of product related information because they are usually perceived as neutral concerning the information or advice they provide. Their intentions are perceived as being in the best interest of the opinion recipients, since they receive no compensation for the advice.
- Information provided by opinion leaders consists of both favourable and unfavourable information compared to the only favorable information provided by marketers.
- Opinion leaders are the source of both information and advice. They may simply talk about their experiences with a product; relate what they know about a product or, more aggressively, advice others to buy or to avoid a specific product.

12.4 THE MOTIVATIONS BEHIND OPINION LEADERSHIP

To understand the phenomenon of opinion leadership, it is important to understand the motivations of those who provide and those who receive product related information. The following sections will deal with question of motivation from the point of view of both the opinion leader and the opinion receiver. Let us discuss them in detail:

12.4.1 The Need of Opinion Leaders

As per the motivation theory, people may provide information or advice to others in order to satisfy some basic need of their own. However, opinion leaders may be unaware of their own underlying motives. Opinion leaders may simply be trying to reduce their own post purchase dissonance. If a man buys a new electric rice cooker and then is uncertain as to the correctness of his choice, he may try to reassure himself by "talking up" the electric rice cooker's virtues to others. In this way, he relieves his own psychological discomfort. Furthermore, if he can influence a friend or neighbour also to buy that product, he confirms his own good judgment in selecting the product first. Thus, the opinion leader's motivation may be one of self-confirmation or self-involvement. In addition, the information or advice that opinion leaders dispense may help them gain attention, to achieve some sort of status, assert their superiority, demonstrate their awareness and expertise, and give them the feeling of having inside information.

In addition to self-involvement, the opinion leader may also be motivated by product involvement, involvement with others and message involvement. Opinion leaders who are motivated by product involvement may find themselves so pleased or so disappointed with a product that they simply must tell others about it. Those who are motivated by involvement with others have a need to share product related experiences. In this type of situation, opinion leaders use their product related conversations as an expression of friendship, neighborliness, and love.

The popularity of advertising in our society encourages message involvement. Individuals who are bombarded with advertising messages and slogans tend to discuss them with others.

12.4.2 The Need of Opinion Receivers

Opinion receivers satisfy a variety of needs by engaging in

product related conversations. First, they obtain new product or new-usage information. Second, they reduce their perceived risk by receiving first hand knowledge from a user about a specific product or brand. Third, they reduce the search time entailed in the identification of a needed product or service. Moreover, opinion receivers can be certain of receiving the approval of the opinion leader when they follow that person's product endorsement or advice. For all these reasons, consumers often look to friends, neighbours, and other acquaintances for product information.

Generally, opinion leaders are social, self-confident, innovative people who like to talk. They acquire information about their areas of interest through avid readership of special-interest magazines and by new product trial. Their interests often overlap adjacent areas; thus their opinion leadership may extend into related areas.

The opinion leadership process usually takes place among friends, neighbours, and co-workers who have frequent physical proximity and thus ample opportunity to hold informal product related conversations. Such conversations usually occur naturally in the context of the product category usage.

12.4.3 Opinion leadership and promotional strategy

Marketers have long been aware of the powerful influence that opinion leadership exerts on consumer behaviour. They try to encourage word-of-mouth communication and other favourable informal conversations concerning their products because they recognize that consumers place more credibility in informal communication sources than in paid advertising. The seeking of product information and advice tends to be the most widely used consumer strategy for reducing perceived risk.

New product designers exploit the effectiveness of word-of-mouth communication by deliberately designing products to have word-of-mouth potential. A new product should give customers

something to talk about. One example of products that have had such word-of-mouth appeal is the Sony Walkman. This type of revolutionary products have attained market share because consumers sell them to one another by means of word-of-mouth.



CHECK YOUR PROGRESS

Q 1: State whether the following statements are true or false:

(i) Opinion leaders do not influence the action of a consumer. (True/False)

(ii) Opinion leaders are motivated to provide information for their self-involvement. (True/False)

(iii) Opinion leaders are introvert and unsocial people. (True/False)

(iv) Opinion leadership process usually takes place among friends, neighbours, and co-workers. (True/False)

(v) Word-of-mouth communication is not at all important for marketers. (True/False)

12.5 DIFFUSION AND ADOPTION PROCESS OF INNOVATION

A major issue in marketing and consumer behaviour is the acceptance of new products and services. The framework for exploring consumer acceptance of new product is drawn from the area of research known as the *diffusion of innovations*. Consumer researchers are primarily interested in understanding two closely related processes: the diffusion process and the adoption process. In the broadest sense, diffusion is a process concerned with the spread of an innovated product from its source to the consumers. In contrast, adoption is a process that focuses on the stages through which an individual consumer passes when deciding to accept or reject a new product.

12.5.1 Diffusion process

The diffusion process is concerned with how innovations spread, i.e., how they are assimilated within a market. In other words, diffusion is the process by which the acceptance of an innovation (a new product, new service, new idea, or new practice) is spread by communication (mass media, sales people, or informal conversations) to members of a social system (a target market) over a period of time. This definition includes the four basic elements of the diffusion process:

- The innovation,
- The channels of communication,
- The social system, and
- Time.

Let us discus the above basic elements in detail:

A. **The Innovation:** The definition of the term 'innovation' can be firm oriented (i.e., new to the company), product oriented (i.e., a continuous innovation or a discontinuous innovation), market oriented (i.e. how long the product has been in the market or how many people of the potential target market has purchased it), or consumer oriented (i.e. new to the consumer).

All new products do not have equal potential for consumer acceptance. Some products catch on almost overnight whereas others take a very long time to gain acceptance or get rejected by the consumers.

Although there are no precise formulas by which marketers can evaluate a new product's acceptance, diffusion researchers have identified five product characteristics that influence consumer acceptance of new product:

a. *Relative advantage*: The degree to which a potential customer perceives a new product as superior to the existing substitutes is its relative advantage. As for

example, HDTV over standard TV, MP3 players over a traditional CD player

b. *Compatibility*: The degree to which potential consumers feel a new product is consistent with their present needs, values, and practices is a measure of its compatibility. As for example, digital alarm clocks over analog alarm clocks.

c. *Complexity*: It is the degree to which a new product is difficult to understand or use. Complexity affects product acceptance. The easier it is to understand and use a product, the more likely it is to be accepted.

d. *Trialability*: It refers to the degree to which a new product is tried on a limited basis. The greater the opportunity to try a new product, the easier it is for consumers to evaluate it and ultimately adopt it. As for example, free samples, free trial pack of computer software etc.

e. *Observability:* It is the ease with which a product's benefits or attributes can be observed, imagined, or described to potential customers. Products that have a high degree of social visibility, such as fashion items, are more easily diffused than the products that are used in private, such as a new type of deodorant. Again, a tangible product is promoted more easily than an intangible product, such as a service.

B. The channel of communication: The speed with which an innovation spreads through a market depends to a great extent on communications between the marketer and consumers, and also on the communication among consumers, i.e. word-of-mouth communication. Researchers are concerned with two aspects of communication—the channel through which word of a new product is spread to the consuming public and the types of messages that influence the adoption or rejection of new products. In recent

years, a variety of new channels of communication have been developed to inform consumers of innovative products and services. As for example, internet based communications such as internet ads, e-Commerce sites, social networking sites etc.

C. The social system: The diffusion of a new product usually takes place in a social setting referred to as a social system. A social system is a physical, social, or cultural environment to which people belong and within which they function. For example, for a new medicine, the social system consists of all physicians within a specific medical specialty (e.g., all neurologists). The social system serves as the boundary within which the diffusion of a new product is examined. The orientation of a social system, with its own special values or norms, is likely to influence the acceptance or rejection of new products. When a social system is modern in orientation, the acceptance of innovations is likely to be high. In contrast, when a social system is traditional in orientation, innovations that are perceived as radical or as infringements on established customs are likely to be avoided. The characteristics of a modern social system are:

i. A positive attitude towards change
ii. An advanced technology and skilled labour force
iii. A general respect for education and science
iv. An emphasis on rational and ordered social relationships rather than on emotional ones
v. An outreach perspective, in which members of the system frequently interact with outsiders, thus facilitating the entrance of new ideas into the social system
vi. A system in which members can readily see themselves in quite different roles

A social system may be national in scope and may influence members of an entire society or may exist at the local level and

influence only members of a specific community. This may be true in case of both modern and traditional social system.

D. Time: Time is the backbone of the diffusion process. Purchase time refers to the amount of time that elapses between consumer's initial awareness of a new product or service and the point at which they purchase or reject it. Researchers are concerned with the amount of purchase time required for an individual consumer to adopt or reject a new product. Purchase time is important to marketers because the average time a consumer takes to adopt a new product is a useful predictor of the length of time it will take for the new product to achieve widespread adoption. When the individual purchase time is short, a marketer can expect that the rate of diffusion will be faster than when the individual purchase time is long.

In case of most products, not all members of a given society are likely to adopt an innovation. In some cases a very large percentage of consumers purchase a product innovation or a very small percentage of consumers will purchase. In either case, only those who adopted a product or service are included in one of the five categories. The remaining members of a particular society, i.e., those who are not accounted for in the five categories, are called "non-adopters" or "non-purchasers."

12.5.2 The Adoption Process

The second major process in the diffusion of innovations is adoption. The focus of this process is the stages through which an individual consumer passes while arriving at a decision to try or not to try, or to continue using or to discontinue using a new product.

A consumer moves through five stages in arriving at a decision to purchase or reject a new product. These stages are: (*1) Awareness,*

(2) Interest, (3) Evaluation, (4) Trial, and (5) Adoption or Rejection.

Though the process of adoption consists of the five stages as mentioned above, in reality, there is a possibility of evaluation and rejection of a new product or service after each stage, especially after trial. That is, a consumer may reject the product after trial or never use the product on a continuous basis. Even after adoption, there will be post-adoption or post-purchase evaluation that might either strengthen the commitment or alternatively lead to discontinuation.

12.6 CONSUMER INNOVATORS

Consumer innovators can be defined as the relatively small group of consumers who are the earliest purchasers of a new product. New-product marketers are vitally concerned with identifying the consumer innovators so that they may direct their promotional campaigns to the people who are most likely to try new products, adopt them, and influence others. Consumer research has identified a number of consumer-related characteristics that distinguish consumer innovators from early adopters.

Consumer innovators are much more interested in the product categories that they are among the first to purchase. Consumer innovators are more likely than non the innovators to seek information concerning their specific interests from a variety of informal and mass-media sources. They are more likely to give greater deliberation to the purchase of new products or services in their areas of interest than non-innovators.

The innovators are opinion leaders. Consumer innovators provide other consumers with information and advice about new products and the receivers follow it. Thus, in the role of opinion leader, the consumer innovator often influences the acceptance or rejection of new product. When innovators are enthusiastic about a new product and encourage others to try it, the product is likely to receive broader and quicker acceptance. On the other hand, if the innovators are dissatisfied with a new product and discourage others from trying it, its acceptance will be

severely limited. Also, for products that do not generate much excitement, consumer innovators may not be sufficiently motivated to provide advice to others. In such cases, the marketers must rely almost entirely on mass media and personal selling to influence future purchasers.

Consumer innovators generally are less rigid than non-innovators. They tend to approach new or unfamiliar products with considerable openness and little anxiety. In contrast, non-innovators seem to find new products threatening and hence they prefer to delay purchase until the product's success has been clearly established. Innovator's need for uniqueness is higher than non-innovators. Innovators are highly variety seeking compared to the non-innovators. Variety-seeking consumers tend to be brand switchers and they are extrovert, liberal, and creative. The personality traits of the consumer innovators are also important for the marketers of new product, as they can produce separate promotional campaigns for innovators and for later adopters.

Consumer innovators are more socially accepted and socially involved than non-innovators. Innovators are more socially integrated into community, better accepted by others, and more socially involved.

Demographically, consumer innovators are younger than non-innovators. Consumer innovators are generally highly educated, have higher personal or family incomes, and are having higher occupational status. They are either professional or hold managerial positions. These serve as useful variables in the segmentation of markets for new-product introductions.

12.7 CONSUMER DECISION MAKING

We, as an individual, make numerous decisions concerning every aspect of their daily lives. However, we generally make these decisions without stopping to think about how we make them and what is involved in the particular decision-making process itself. A decision is the selection of an option from two or more alternative choices. In other words, for a person to make a decision, a choice of alternatives must be available.

When a person has a choice between making a purchase and not making a purchase, a choice between brand A and brand B, or a choice of spending time doing X or Y, that person is in a position to make a decision. On the other hand, if the consumer has no alternatives from which to choose and is literally forced to make a particular purchase or take a particular action (e.g., use a prescribed medication), then this single 'no-choice" instance does not constitute a decision; such a no-choice decision is commonly referred to as a "Hobson's choice". Providing consumers with a choice when there was originally none can be a very good business strategy for increasing sales.

12.7.1 Levels of Consumer Decision Making

On the basis of efforts required for taking a buying decision by a consumer, three specific levels of consumer decision making may be distinguished. They are as follows: ***extensive problem solving, limited problem solving, and routinized response behaviour.***

a. Extensive Problem Solving: When consumers have no established criteria for evaluating a product category or specific brands in that category or have not narrowed the number of brands they will consider to a small, manageable subset, then their decision-making efforts can be classified as extensive problem solving. At this level, the consumer needs a great deal of information to establish a set of criteria on which to judge specific brands and a correspondingly large amount of information concerning each of the brands to be considered. Extensive problem solving often occurs when a consumer is purchasing an expensive, important, or technically complicated product or service for the first time (e.g., replacing an old oven with a microwave oven).

b. Limited Problem Solving: At this level of problem solving, consumers already have established the basic criteria for evaluating the product category and the various brands in

the category. However, they have not fully established preferences concerning a select group of brands. Their search for additional information is more like "fine-tuning"; they must gather additional brand information to single out among the various brands. This type of problem solving frequently occurs when the consumer is purchasing a new, updated version of something that he or she has purchased before, such as replacing an old laptop with a new one—the new laptop having a faster processor, a larger hard drive, and so on.

c. ***Routinized Response Behaviour:*** At this level, consumers have experience with the product category and a well-established set of criteria with which to evaluate the brands they are considering. In some situations, they may search for a small amount of additional information; in others, they simply review what they already know.

Just how extensive a consumer's problem-solving task is depends on how well established his or her criteria for selection are, how much information he or she has about each brand being considered, and how narrow the set of brands is from which the choice is to be made. Clearly, extensive problem solving implies that the consumer must seek more information to make a choice, whereas routinized response behaviour implies little need for additional information.

All decisions in our lives cannot be complex and require extensive research and consideration—we just cannot exert the level of effort required. Some decisions have to be "easy ones".

The consumer's decision to purchase or not to purchase something is an important moment for a marketer. It can signify whether a marketing strategy has been wise, insightful, and effective, or whether it was poorly planned. Thus marketers are particularly interested in the consumer's decision-making process.

12.8 CONSUMER GIFTING BEHAVIOUR

Giving gift is an important aspect of the social life of human beings. Gift buying is an interesting part of consumer behaviour. Products and services chosen as gifts represent more than every day purchases. Because of the symbolic meaning of gift, they are associated with such important events as festivals, births and birthdays, engagements, weddings, anniversaries, graduations, and many other accomplishments and milestones.

Gifting behaviour is the process of exchange of gift that takes place between a giver and a recipient. The definition is broad in nature and embraces gifts given voluntarily to express love and affection, as well as gifts presented as an obligation. Gift purchases represent about 10% of all retail purchases in USA.

Gifting is an act of symbolic communication, with explicit and implicit meanings ranging from congratulations, love, obligation, and dominance. The nature of the relationship between gift giver and gift receiver is an important consideration in choosing a gift. There are different types of gifts. The following are five gifting subdivisions or different types of gift giving: (1) intergroup gifting, (2) inter-category gifting, (3) intra-group gifting, (4) interpersonal gifting, and (5) intrapersonal gifting.

Intergroup gifting behaviour occurs whenever one group exchanges gifts with another group (such as one family with another). A diwali gift from one family to another family is an example of intergroup gift. Gift given to families will be different than those given to individual family members. For example, a “common” wedding gift for a bride and a groom may include products for setting up a house-hold rather than a gift that would personally be used by either the bride or the groom. In case of ***inter-category gifting***, either an individual is giving a gift to a group (a single friend is giving a couple an anniversary gift) or a group is giving an individual a gift (several friends give another friend a joint birthday gift). The gift selection strategies “buy for joint recipients” (creating inter-category gifting) are useful when it comes to a difficult recipient situation. These strategies can also be applied

to reduce some of the time pressure associated with shopping for the great number of gifts exchanged during the Bihu or Diwali season (many other such festivals in India) gift-giving ritual. For example, a consumer may choose to purchase five inter-category gifts for five aunt and uncle pairs (inter-category gifting), instead of buying 10 personal gifts for five aunts and five uncles(interpersonal gifting). In this way, less time, money, and effort may be spent.

An ***intra-group gift*** can be characterized by the sentiment "we gave this to ourselves"; that is, a group gives a gift to itself or its members. A family buys a DVD player for itself as a Durga Puja gift. Another example in this category is: a dual-income couple may find that their demanding work schedules limit leisure time spent together as husband and wife. Therefore, an anniversary gift ("to us") of a long weekend in Goa is an example of an intra-group gift. It would also remedy the couple's problem of not spending enough time together. In contrast, ***interpersonal gifting*** occurs between just two individuals (an individual giving a gift to another individual), a gift giver and gift receiver. By their very nature, interpersonal gifts are "intimate" because they provide an opportunity for a gift giver to reveal what he or she thinks of the gift receiver. Successful gifts are those that communicate that the giver knows and understands the receiver and their relationship. Studies reveal that, both male and female gift givers feel more comfortable in giving gifts to the members of the same gender, however, they felt more intense feeling with respect to gifts given to members of the opposite gender. Females get more pleasure than males from giving gifts and generally play the dominant role in gift exchanges. Knowledge of such gender differences are useful for marketers.

In case of ***intrapersonal gifting***, or a self-gift, the giver and the receiver are the same individual. Self-gift is also called monadic giving. If a consumer sees a purchase as the "buying of something I need", then it is simply a purchase. On the other hand, if the same consumer sees the same purchase as a "self-gift", then it is something special, with special meaning. An example of intrapersonal gift is, "a woman buys herself gold jewelry to cheer herself up". Consumers may treat themselves by self-gifts

with products (clothing, jewelry, computer, etc.), services (gym membership, a trip, a meal in a restaurant, etc.), or experiences (a party with friends). Specific circumstances that might lead a consumer to engage in self-gift behaviour are: Personal accomplishment (to reward oneself), holiday (to cheer oneself up), having some extra money (to celebrate), on attainment of a desired goal (to provide an incentive toward a goal achievement) etc.

Gift-giving and taking is an integral part of Indian culture. There are two participants in the act of gifting—the giver and the recipient. There are a number of occasions for exchange of gifts. These occasions are determined by a specific cultural setting. For instance, consumers in the USA celebrate Mother's Day, Valentine's Day etc. Ofcourse, these are now-a-days observed universally. Koreans celebrate the 100th day of a baby's life. In India, there are various such occasions observed by different communities. There may also be unstructured occasions, for example, an attempt at reconciliation with regard to relationships, celebrating success, etc.



CHECK YOUR PROGRESS

Q 2: State true or false for the following statements—

(i) Diffusion is the process concerned with the stages through which an individual consumer passes when deciding to buy or not to buy a new product. (True/False)

(ii) A social system is a physical, social, or cultural environment to which people belong. (True/False)

(iii) Purchase time refers to the amount of time taken by a consumer between his initial awareness of a new product and when they purchase it. (True/False)

(iv) Innovators are those consumers who are reluctant to buy a new product. (True/False)

(v) In intrapersonal gifting, the giver and the receiver are the same individual. (True/False)



12.9 LET US SUM UP

In this unit, we have discussed the role of opinion leaders on consumer decision making. The diffusion and adoption process of innovation also, we have discussed. Consumers respond to new products in a variety of ways , some are quite prompt in buying and using. Some are leggards. In this unit, we have also discussed the aspects of consumer gifting.



12.10 FURTHER READING

1) Leon G. Schiffman, Leslie Lazar Kanuk and S. Ramesh Kumar, "Consumer Behaviour", (10th Edition, 2010) Pearson, New Delhi.

2) Satish K. Batra and S H H Kazmi (2nd Edition, 2008), "Consumer Behaviour", Excel Books, New Delhi.

3) D. Hawkins, R. Best, K. Coney, A. Mookerjee (9th Edition, 2007) "Consumer Behaviour", Tata McGraw-Hill Publishing Company Limited, New Delhi.



12.11 ANSWERS TO CHECK YOUR PROGRESS

Ans to Q No 1: (i) False (ii) True (iii) False (iv) True (v) False.

Ans to Q No 2: (i) False (ii) True (iii) True (iv) False (v) True.



12.12 MODEL QUESTIONS

Q 1: What is meant by the term opinion leadership? Why is an opinion leader a more credible source of product information than an advertisement for the same product?

Q 2: What is diffusion? Describe the basic elements of diffusion process.

Q 3: Explain the adoption process in detail.

Q 4: Who is a consumer innovator? State their distinguishing characteristics.

Q 5: Discuss the gift giving behaviour of an individual consumer.

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UNIT 13: ORGANIZATIONAL BUYING BEHAVIOUR

UNIT STRUCTURE

13.1 Learning Objectives

13.2 Introduction

13.3 Organizational Buying

13.4 Characteristics Of Organizational Buyers

13.5 Factors Influencing Organizational Buying Behavior

13.6 Organizational Buying Decision Making Process

13.7 Organisational Buying Situations

13.8 Modern Purchasing Activities

13.9 Let Us Sum Up

13.10 Further Reading

13.11 Answers To Check Your Progress

13.12 Model Questions

13.1 LEARNING OBJECTIVES

After going through this unit, you will able to :

- describe organizational buying objectives
- outline different phases in the buying decision process and buying situations
- describe the models of organizational buying behaviour.

13.2 INTRODUCTION

In the last unit we have discussed about the various aspects consumer decision making process. This unit starts with Organisation Buying Behavior. A market is said to be composed of buyers and sellers involved in a exchange process of goods and services and money. The purpose of organisational behavior is to reduce costs, make profits, serve internal clientele's requirements and sometimes for meeting social and legal obligations. Organisations provide a big and vast market for raw materials, semi processed goods, manufactured goods etc. In this unit, we will look the factors influencing Buyer Behavior, Purchase and demand patterns,

Organisation buying roles and organization buyer decision process. An industral consumer buying a bed sheet and the Indian Railways buying thousands of bedsheet- will the buying process be same? There are vast differences. We shall look into those aspects in this unit.

13.3 ORGANIZATIONAL BUYING

Individual consumers are not the only buyers in a market. Companies and other organizations also need goods and services to operate, run their businesses, and produce the offerings they provide to one another and to consumers. These organizations, which include producers, resellers, government and nonprofit groups, buy a huge variety of products including equipment, raw materials, finished goods, labor, and other services. Some organizations sell exclusively to other organizations and never come into contact with consumer buyers.

Fredrick E Wbster and Y Wind defined Organisational buying as, “the decision making process by which formal organisations establishes the need for purchased products and services and identity, evaluate and choose among alternative brands and suppliers”.

Hence, the companies selling to other organisations their products have to understand what are their buyers needs, financial capability, the policies and procedures followed while purchasing from other suppliers etc. The buying organisation on the other side on realizing the need for purchasing certain goods and services will search out and evaluate and select the supplier most suitable to their requirement. The various kinds of organisational buying units are in the areas of services, agriculture, forestry and fisheries, retailers, manufacturers, governmental units, construction etc.

Let us now, discuss the organisational buying units who purchase various goods and services:

- Organizational buyers purchase products on behalf of their business or organization.
- Individual consumers are not the only buyers in a market. Organizations or business units also needs to buy to run their businesses, and produce the offerings they provide to one another

and to consumers. These organizations or companies includes Business Industries, resellers, PSU, government ,Banks, Non -Govt etc.

- Business industries buy products for business use or to produce other products. Resellers buy products to resell at a profit.
- Government buys products for use in offices and development projects or to provide service to people.
- Banks buys for use in office to provide service to customer.
- Non-government organizations buy products to provide service to their clients. (hospitals, educational institutions, political parties, religious and social organizations etc).

13.4 CHARACTERISTICS OF ORGANIZATIONAL BUYERS

Some of the characteristics of organizational buyers are:

1. *Fewer Buyers:* As compared to Consumer market which is a huge market in millions of consumers , there are fewer or less numbers of organizational buyers
2. *Larger Buyers:* In organisational buying, the purchases are in large quantities.
3. *Geographically concentrated Buyers:* In organizational buying, most of the buyers show geographical concentration. For example, most of the agricultural products come from few states in India like Punjab, Gujarat, and south India etc. Such geographical concentration of manufacturers will help in reducing the cost of selling.
4. *Derived Demand:* The demand for organisational goods derived from the demand of the consumer goods.
5. *Fluctuating Demand:* As compared to consumer market, the nature of demand for organizational buyer goods and services are more volatile.
6. *Professional Purchasing:* In organisational buying more specialized personnel with technical expertise are needed in the purchase of organisational goods and services.



CHECK YOUR PROGRESS

Q 1: State the meaning organisational buying.

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Q 2: Write any three characteristics of organizational buyers.

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13.5 FACTORS INFLUENCING ORGANIZATIONAL BUYING BEHAVIOR

The Webster and Wind Model of organizational buying behaviour is a comprehensive model. It considers four sets of variables that influences organisational Buying Behaviour. They are: environmental, organizational, buying center and individual, which, affect the buying-decision making process in a firm.



These are four factors that influence the oranisational Buying Behaviour are discussed below.

1. **Environmental factors :** Economic Environment constitutes an

important determinant in organisatinal buying Behaviour which includes economic situation, government policy, technological change. For example, if the organization buyer feels that the government is going to increase GST on industrial buying on heavy machinery product, his buying of material will increase as buying will become more costly in future due to increase in GST. The organization buyer may adopt new technological change which will reduce his operating cost and increase the Productivity. An industrial purchaser will be cautions and careful in his buying decisions so that decision will prove appropriate and not bring loss to the organization. An industrial purchaser will collect information about economic situation in the country and will take appropriate decisions after analyzing such economic information.

2. **Organizational factors:** Each organization has its own goals, policies, procedures and structure for purchasing. These are all internal factors which influences the purchase decision of an organisation. For example: The objective of an organization influences the types of product its needs and the criteria by which it evaluates supplies. Organization buying policies and procedures determines influences the purchase decision. For example ,Some organization may go for online bidding process, some may call for open Tender or may call for rate contract for while making purchase decision. Organisation structure and hirechey also influences the purchase decision .For example Some companies assign authority for purchase decisions to purchase managers while others do not . Some organization forms purchase committee comprising of different authority and responsibilities to finalize the purchase decision. This delays the purchase decision. In In decentralized organization structure, quick decision are possible at the departmental level and purchase decision is fast..

3. **Buying Centre factors:** Organizational buying decisions are never a one person decision; it's normally a collective decision where more than one person is involved. The people involved may be

classified as Initiators influencers, buyers deciders and purchasing agent and there is also a possibility of conflict among the members who involves in buying decision. For example, selection of vendor, capabilities of vendor, delivery and after sales service of vendor. Webster and Wind in "Organisational buying behavior have called the decision making unit of buying organization is the buying center. The buying center can be defined as ''all those individuals and groups who participate in the purchasing decision making process. Who share some common goals and the risks arising from the decisions." It is essential to understand the roles of buying-center members or decision-making units (DMUs) before identifying the individuals and groups involved in the buying-decision process.

4. **Individual factors:** Individual factors are personal characteristics of an individual which influences the buying decision such as Age, Education, personality and position in the organization. These factors affect individual perception, preference and motivation.

13.6 ORGANIZATIONAL BUYING DECISION MAKING PROCESS

The purchasing activities of industrial buyers consist of various steps/phases in buying-decision-making process. The importance of each step depends upon the type of buying situation. The industrial marketers should understand both (step in decision-making process and the type of buying situations) to market the product or service. The decision making is done as a group activity with personnel across various department pooled in and executing the various buying roles. This group is referred as 'Decision Making Unit'(DMU) or 'Buying Center'. In 1967, Robinson, Faris, and Wind developed a process "buy phases" having eight steps in buying-decision process in industrial market. These phases or steps are elaborated as follows:



Let us now discuss these stages:

1. **Problem recognition:** The process begins with realization of need or problem within the organization that can be met by acquiring a good or service. For e.g . It may need of new computer ,server, printer etc and problem in increasing storage capacity of customer database .
2. **Need Description:** Once they recognize that a need exists, the buyers must describe it thoroughly to make sure that everyone understands both the need and the nature of solution the organization should seek. The marketer along with the purchasing manager, engineers, agents and users can describe the needs and prioritizes important product characteristics. That may solve the problem. For e.g. Deciding cost, performance and reliability of the computer, Qty, Price, application requirement, Storage capacity ,Scalability etc. None the less, if the required information is not available internally within

the buying organization, the same can be obtained from the outside sources.

3. **Product Specification:** After the general solution to the problem is determined in the second phase, the buying organisation, in the third stage, develops a precise statement of the specifications or characteristics of the product or service needed. During this stage the purchase department takes the help of their technical personnel, or if required, outside sources such as suppliers or consultants. Industrial marketers have a great opportunity to get involved at this stage by helping the buyer organisation to develop product specifications and characteristics. It would give a definite advantage by ensuring that the needed product includes his or her company's product characteristics and specifications.
4. **Supplier Search:** In this stage, the organisational buyer now tries to identify the most appropriate supplier or vendor. Firstly, they have to obtain information about all available suppliers and secondly, they have to decide the qualifying suppliers and identify which ones have a reputation for good quality, good partnership, and good value for the money. The search for potential suppliers is based on the various sources of information like trade journals, sales calls, work-of-mouth, catalogues, trade-shows, industrial directories. The qualifications of acceptable suppliers' may depend on the type of buying organization such as government undertaking, private sector commercial organisation, or institutions, and the buying situation, and the decision-making members.
5. **Proposal Solicitation:** In this stage, the qualified suppliers are invited to submit proposals. A supplier's proposal can be in the form of a formal offer, quotation, or a formal bid, submitted by the supplier to the buying organization . Proposal development requires extensive research, skilled writing, and presentation. It must include the product specification, price, delivery period, payment terms, taxes and duties applicable, transportation cost (or freight), cost of transit insurance, and any other relevant cost or free service provided. For technically

complex products and services, a lot of time is spent in analysing proposals in terms of comparison on products services, deliveries and the landed cost: includes the price after discount plus excise duty, sales tax, freight, and insurance.

6. **Supplier Selection:** In this stage, the buyer evaluates the proposals and selects one or more suppliers. The selection process involves thorough review of the proposals submitted, as well as consideration of vendor capabilities, reputation, customer references, warranties, and so on. Further selected suppliers may call for discussion for any concerns or gaps and may meet for negotiation on prices, payment terms, deliveries, and so on.
7. **Order-Routine Specification:** In this stage the Buyer places the final order with the selected supplier with all the agreed terms and conditions such as technical specifications, the quantity needed, the expected time of delivery, payment terms, return policies, installations, warranties etc.
8. **Performance Review:** In this final stage, the buyer reviews performance of each supplier or vendor . This may be a very simple or a very complex process. The buyers evaluate their satisfaction with the product and whether the purchased item solved the problem or not. 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.



CHECK YOUR PROGRESS

Q 3: What are the factors where influence organizational buying behavior?

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Q 4: What is the last stage in the process of organizational buying behavior?

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13.7 ORGANISATIONAL BUYING SITUATIONS

Not every decision requires the involvement of all the roles. Simple decisions, such as the purchasing of stationery, require fewer roles in the decision making process than the purchase of production machinery or a new IT system.According to Robinson, Fari's and Wind, there are three types of buying situations, according to

1. ***Straight rebuy situations***: This involves a routine repurchase.Orders are placed for office supplies, raw materials, other items of daily use, where the supplier is known and a procedure is already laid down, which is followed in a routine manner.
2. ***Modified rebuy situations:*** In modified rebuy situations One or two components are new in this purchase process; a new product and/ or service or a new supplier. If the complexity is low, there will no new decision making unit is required. A new decision making unit or DMU may be created when the rebuy is more complex. *e.g.,* nylon rope for ordinary rope. Plastic washers in place of steel or brass washers, aluminium instead of copper, hydraulic in place of mechanical.
3. ***New task***: The industrial buyers buy the products/services item for the first time in this situation. This will automatically require a new decision making unit. These could be new machines like computer or Fax machines. The need for such a product may not have occurred previously. For a new task, a new set up and new items are necessary, which may not have been purchased before.

13.8 MODERN PURCHASING ACTIVITIES

There are some contemporary purchasing activities, which are used in Organsiational buying processes. These are discussed as follows:

- Just-in-Time (JIT) : It refers that the material arrives at the buyer's factory exactly when needed by the buyer. It minimizes the inventory, and increases the quality and productivity. The goal of JIT delivery is zero inventory and excellent quality of the material delivered by

the supplier. This ensures nil rejection at the buyer's factory. The JIT delivery means that the buying and selling organizations work together closely to reduce costs.

- Single Sourcing: In this activity, the industrial/organisational customers place orders with only one supplier not to two or three suppliers. It means all the eggs are in one basket. The practice makes possible for the buying and selling organizations to work closely together, involve the supplier from the design stage, and utilize the supplier's expertise
- Value Analysis: The industrial manufacturer plans to reduce cost while not compromising of functional marketable attributes and maintaining product reliability through the process of value analysis. The manufacturer (who is also the vendor) may thereby compete with other suppliers in business deals by providing higher value or equal value at lesser of cost. It involves analyzing a product item by the function it performs, the value of the function, and the alternate methods of performing the same function. It uses creative technique like brainstorming and includes members of various departments such as production, quality control, design, industrial engineering, marketing, and purchase.
- Purchase Committee :Some organizational buyers develop a formalized decision-making unit i.e. purchase committee. It is used in many industrial organizations including institutions (such as universities and hospitals) and Government companies. The formal committee changes based on the specific type of product to be purchased. The salesperson must provide information to all the members of the purchase committee, and should target the real sales efforts to those dominant members who influence the buying decisions. Identifying purchase committee individuals, their technical and commercial expertise, their individual needs, buying decision process, and the organization structure are the important tasks to be performed by the effective industrial marketer.



CHECK YOUR PROGRESS

Q 5: What is Just-in-Time (JIT) ?

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Q 6: What are different types of buying situations?

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13.9 LET US SUM UP

In this unit, we have discussed the following:

- Organisational buying defined as, “the decision making process by which formal organisations establishes the need for purchased products and services and identity, evaluate and choose among alternative brands and suppliers”.
- The characteristics of organizational buyers are: Fewer Buyers, Larger Buyers, geographically concentrated Buyers, DerivedDemand, Fluctuating Demand and Professional Purchasing.
- The Webster and Wind Model of organizational buying behaviour is a comprehensive model.It considers four sets of variables that influence organisational Buying Behaviour. They are: environmental, organizational, buying center and individual, which affect the buying-decision making process in a firm.
- Robinson, Faris, and Wind developed a process having eight steps in buying-decision process in industrial market. These phases or steps are:Problem recognition, Need Description, Product Specification, Supplier Search, Proposal Solicitation, Supplier Selection, Order-Routine Specification and Performance Review.
- According to Robinson, Fari’s and Wind, there are three types of buying situations, according to: Straight rebuy situation, Modified rebuy situations and New task.

- There are some contemporary purchasing activities, which are used in Organsiational buying processes. These are: Just-in-Time (JIT), Single Sourcing, Value Analysis and Purchase Committee.



13.10 FURTHER READING

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13.11 ANSWERS TO CHECK YOUR PROGRESS

Ans to Q No 1: Organisation buying means, the decision making process by which formal organisations establishes the need for purchased products and services and identity, evaluate and choose among alternative brands and suppliers.

Ans to Q No 2: Three characteristics of organizational buyers are: (i) Fewer Buyers, (ii) Larger Buyers and (iii) Geographically concentrated Buyers.

Ans to Q No 3: The factors influencing organisational buying behavior are: environmental, organizational, buying center and individual.

Ans to Q No 4: Performance Review is the final stage of organizatied buying. The buyer reviews performance of each supplier or vendor. The buyers evaluate their satisfaction with the product and whether the purchased item solved the problem or not. The performance review might lead to the buyer to continue, improve or drop a supplier.

Ans to Q No 5: Just-in-Time (JIT) : It refers that the material arrives at

the buyer's factory exactly when needed by the buyer. It minimizes the inventory, and increases the quality and productivity. The goal of JIT delivery is zero inventory and excellent quality of the material delivered by the supplier. This ensures nil rejection at the buyer's factory. The JIT delivery means that the buying and selling organizations work together closely to reduce costs.

Ans to Q No 6: According to Robinson, Fari's and Wind, there are three types of buying situations, according to: New task, Modified rebuy situations and straight rebuy situations.



13.12 MODEL QUESTIONS

Q 1: Define organizational buying.

Q 2: Discuss the characteristics of organizational buyers.

Q 3: Outline the factors influencing organizational buying behavior.

Q 4: Discuss the organizational buying decision making process.

Q 5: Explains the organisational buying situations.

Q 6: Discuss the modern purchasing activities in organisational buying.

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