PGCM (S4) 04-1
Exam. Code: CB

CONSUMER BEHAVIOUR

SEMESTER IV

MASTER OF COMMERCE

BLOCK 2

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January, 2020

ISBN: 978-93-89955-66-8

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Printed and published by Registrar on behalf of the Krishna Kanta Handiqui State Open University.

Head Office : Patgaon, Rani Gate, Guwahati-781 017;

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The University acknowledges with thanks the financial support provided by the **Distance Education Bureau, UGC**, for the preparation of this study material.

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BLOCK INTRODUCTION

This is the second block of the course **"Consumer Behaviour".** The Block is divided into 7 units and is primarily a learner oriented Self learning material, as it satisfies the requirements of the learners in the field of consumer behavior.

This block comprises of the following sevenunits:

The first unit of this block introduces us to the concept of cultural influence on consumer behaviour

The second unit gives us a broad idea of social class and group influences on consumer behaviour.

The third unit is about diffusion of innovation.

The fourth unit will help us inunderstanding situational influence on consumers' decision and the decision models.

The fifth and sixth units will deal with consumer decision- making process.

Theseventh unitwillhelpusinunderstanding organizational buying behaviour.

The Block is divided 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- I

Unit 13: Consumer Decision- making Process- II

Unit 14: Organisational Buying Behaviour

UNIT 8: CULTURAL INFLUENCE ON CONSUMER BEHAVIOUR

UNIT STRUCTURE

8.1 LearningObjectives

8.2 Introduction

8.3 Structure Culture

8.4 Values

8.5 Sub-cultures

8.6 Cross -cultural Influences

8.7 Cultural differences in Non-Verbal Communications

8.8 Let Us Sum Up

8.9 Further Reading

8.10 Answers to Check Your Progress

8.11 Model Questions

8.1 LEARNING OBJECTIVES

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

- explain the concept ofCulture
- understand the Characteristics of culture
- explain the concept of sub-culture
- describe the cross-cultural influences
- explain the concept of Values
- understand the cultural differences in non-verbal communications.

8.2 INTRODUCTION

Culture is a society's personality, unique in itself and differentiated from others; it is further divided into various sub-cultures. Culture is also trans-generational, and is passed on from one generation to another. A study on culture requires an elaborate and detailed inquiry into the very character and personality of the society that we live in. The culture of a society also has a bearing on buying patterns and consumption behaviour.

8.3 STRUCTURE CULTURE

Culture may be defined as the "personality of a society". It is broad and all pervasive in nature, inclusive of language, customs and traditions, norms and laws, religion, art and music, etc. It also includes the interests of people, the work practices and orientations, as also their attitudes towards general and specific issues. Culture delineates precisely, the do's and dont's of a society, and specifies all that is acceptable and all that is not. It is reflective of values and beliefs that are widely accepted by members of a society. The members of a society subscribe to the various values, beliefs and norms, and this gives strength to a society's culture. This does not imply that cultures are truly rigid; in fact, they evolve and adapt to changing situations and times. The culture of a society also has a bearing on buying patterns and consumption behaviour.

In terms of consumer behaviour, Schiffman defines culture as "the sum total of learnedbeliefs, values, and customs that serve to direct the consumer behaviour of members of aparticular society". The kinds of products and services and/or brands that consumers' buy and use, are all based on their cultures and sub-cultures. For example, the food they eat and the kinds of clothes they buy and wear, are all impacted by their culture, their customs, traditions, norms and values. Culture is learned as part of social experience and passed on from one generation to another. Children acquire from their environment a set of beliefs, values, and customs that constitute culture (i.e., they are encultured). These are acquired through formal learning, informal learning, and technical learning. Advertising enhances formal learning by reinforcing desired modes of behaviour and expectations; it enhances informal learning by providing models for behaviour.

8.4 VALUES

Culture and its impact on consumption behaviour can be better explained by understanding the nature and characteristics of culture:

- **Culture is natural and permeates naturally into the social system:** It inbreeds into themembers of a social system and is all-pervasive. It

influences the manner in which a person behaves, as consciously or sub-consciously, we are all governed by culture. Not only do peopleuse their values and beliefs to govern their behaviour, but they also except that others' behaviourwould also be similar and consistent (as culture is shared). Culture unites the members of asocial system.In terms of consumer behaviour, the kinds of food we buy and eat or the clothes that wepurchase and wear are all governed by the socializationprocess. Similar is with respect toother purchases that we make. Culture encompasses the general and specific patterns ofconsumption behaviour.

- **Culture helps in satisfaction of needs:** In fact, it exists as it helps satisfy the needs of people.Beliefs, values, customs and tradition, help govern the social system, and specify the manner inwhich people in a social system should behave; they delineate the do's and don't's, and therebycreate boundaries of acceptable behaviour in the social system. However, such values, beliefs,customs and traditions continue to exist as long as they meet the needs of the people in thesociety. That is why culture evolves with passage of time. As the needs of the people evolve,beliefs, values, customs and tradition also undergo change so as to meet and match with newerneeds and wants.For example, in earlier times, people preferred eating their whole meals at home. In fact,eating out was considered unhealthy and undesirable. With a change in society, and theemergence of dual income households, people have begun eating out of home; the fast foodculture is in. This has given a boost to the fast food and restaurant industry. Thus, we see thatwhen a value system fails to satisfy the members of a social system, it is adapted, changedand/or modified to suit newer social patterns and trends.
- **Culture is not inborn; it is learnt as a result of the socialization process:** There occurs asocialization process right from one's childhood, a process that continues throughout life.Culture is imparted by this socialization process. This learning of culture could be of two kinds; viz., enculturation and acculturation. The process of learning one's

native culture is known as enculturation, while the process of learning a new or a foreign culture is known as acculturation. We are impacted by our family (family of orientation and family of procreation), as well as our friends throughout our life. People learn from family and friends about what are acceptable and what is not in terms of our values and beliefs. Cultural learning could take place in three forms, viz., formal learning, informal learning and technical learning.

- Ø Formal learning: when a child is taught how to behave by family, viz., grandparents, parents and siblings; they tell him about the right's and wrong's in behavior.
- Ø Informal learning: when the child learns by imitating the behavior of others, be it members inthe family, or friends, or celebrities, or characters.
- Ø Technical learning: when the child is taught how to behave in a formal educational environmentby a teacher.

The kind ofproducts/services consumers buy are ultimately determined by culture as well. For example, incertain cultures, eating pork and beef is a taboo; thus, when McDonalds came to India, they hadto introduce the chicken burger, instead of the normal beef burger sold in the US. They couldnot disregard the vegetarian population of the country and so introduced the veg-tikki burger.Marketers should design the product and service offerings (including the4Ps), in line with the culture so as to be able to gain quicker acceptance. The colors, languageand symbols, should all be kept in mind. The marketer could use all the three forms of culturallearning through designing appropriate promotional messages and using an appropriatechannel.

- I **Culture is shared:** It is accepted and imbibed by all the members of the social system. In fact, it ties together the people that form a social system. Social institutions (family), educational institutions (schools, colleges and universities), political institutions (law, public policy, leaders and government), and religious institutions (like places of worship, artefacts, and religious leaders) etc., all help in transmitting this culture to the members of the society. The mass media -print and audio-visual,

also has a role to play in the transmitting of culture.

Also, these days cultures and sub-cultures are shared by people within, and outside. Needless to say, the mass media has a big role to play. We get to see stories on families from Gujarati, Bengali, Punjabi and Tamilian cultures; the dressing patterns, the favourite dishes, the customs and rituals etc. With the various national and regional channels that we have in India, we have begun to share sub-cultures too. An important role on spread of culture is also through advertisements. Today there is demand for dhokla and khakra (Gujarati food) in North India, or mishti doi and hilsa fish (Bengali food) in South India. This trend is also increasing because people are crossing borders of their states and moving elsewhere for jobs and assignments.

- **Culture is dynamic in nature, and evolves constantly with time:** It adapts itself to the changing environment. As said above, values, beliefs, customs and traditions continue to exist as long as they satisfy the needs and wants of the people. Once they cease to satisfy people's needs, they change. Thus, culture changes and adapts to the environment. Marketers need to continually assess the environment so as to identify changing need patterns, and change/modify/adapt existing products and services, and even come up with new ones. One such example, i.e. dual income households and the need for eating out, resulting in demand for fast food and restaurants. With changes in culture, we can also witness its impact on the buying roles. The marketers have to identify the initiators, influencers, deciders, buyers and users, and approach them accordingly, either personally or impersonally via media. Marketers who continually assess the environment can identify opportunities and exploit them to their advantage.
- **Cultures are similar and yet different:** All the cultures across the world will address certain common or similar aspects. For example, a few of the elements found in most of the societies could be calendar, cooking, education, family, rituals, customs etc. However, in each society there could be variations in the nature and practice of these elements.

An understanding of this will help the marketers in formulating various marketing strategies.

- **Culture is gratifying and continues for a long time:** The society rewards people whose behaviour are gratifying for its members. In India, people have a lot of faith in the preaching of various religious heads. These religious heads are able to communicate and speak about the customs, traditional values and beliefs to the public through religious discourses. Such people are given due importance and recognition for contribution to the welfare of the society. The respect and gratification for those who continue this practice goes down from generation to generation. This is also a part of our culture.
- **Culture is perspective:** It involves the understanding of the behaviour and pattern of an individual, so that they must have common understanding of the right and proper way to think and act on it.

8.5 ELEMENTS/ COMPONENTS OF CULTURE

Culture is reflected through the various components that it comprises, viz., values, language,myths, customs, rituals and laws. These are briefly explained as follows:

- **Values:** Values are the beliefs and ideals shared by the people of a society, for which theyhave great respect and regard. They could assume both positive (do's) and negative (dont's)connotations, and are indicative of appropriate thoughts, feelings and acts of behaviour. For example "Nescafe coffee" has been used in the sense of optimism among young in its new advertising campaign.
- **Language:** Man is a social animal and needs to communicate with others. Language is usedas a means to communicate with people in a social set up. It is the common languagethat bindstogether the people in a social structure. Marketers must know all the languages of his potential geographical segments , so that they can sell their products to customers of different cultures having different languages.
- **Myths:** Myths are legendary folktales and stories that describe events

and occurrences, andteach values to society. They are imaginary and fictitious, and comprise characters that aregods, heroes and common men, ultimately aimed at giving lessons to the people, with respectto the causes and effects, good and bad, right and wrong, etc. Myths describe the values thatmembers of a social structure should share.

- **Customs:** Customs are habitual practices that formulate the established way of doing thingsand reflect culturally accepted patterns of behaviour. They reflect practices that have permanent,continuance and are so long established that they have the force of law; in other words they areconventions. People in a social system follow such practices collectively, and the habitualactivity gets transmitted from one generation to another. For example, giving or taking gifts on certain occasions.
- **Rituals:** Rituals are prescribed processes and procedures for conduct of religious or socialrites. They are established rites, ceremonies and proceedings that are symbolic in nature.Rituals are collective in nature, comprising many patterns of behaviour that are interdependent toeach other. For example, Red roses on Valentine's Day, cards on birthdays etc.
- **Laws:** Laws are principles, rules and regulations that are formulated/ sanctioned by anauthority (ruler, government, constitution etc.), and supported/protected by judicial authority.

  Their basis can actually be found in the society's values, customs, and rituals. Laws areuniversally applicable across people in a society/ country. They are written collection of rules andregulations to be adhered to by the people, and non-adherence to which would lead to legalaction from the judiciary. For example, in Hindu Marriage Act a person can marry only one woman at a time but that is different in other acts based on their religion.

8.6 MEASUREMENT OF CULTURE

Culture can be measured through use of many techniques, some of which are discussed below. These techniques are used to study and

assess culturalpatterns, changes and trends.

- **Projective Tests:** Projective tests can be traced to the psychoanalytic psychology, whichargue that human beings have conscious and unconscious attitudes, motivations andpersonalities that are hidden and unknown from conscious awareness. The projective testsattempt to measure underlying traits, fears, anxieties and attitudes, motivations andpersonalities. They help reveal people's orientations towards the cultural values, myths,customs, traditions and rituals.The participants are shown pictures, images, cartoons and characters, inkblots andincomplete sentences/paragraphs to understand, interpret and comprehend them. Theparticipants are asked to give as responses all that first comes into their minds. Gestures andbody language, tone of voice and other reactions are also noted. The assumption behind use ofsuch tests is that one tends to project and interpret to these ambiguous stimuli from ones' sub-consciousness.Such tests are used to study motivation and personality. The two commonlyused tests are the Rorschach Inkblot Test and the Thematic Apperception Test (TAT).
- **Attitude measurement tests and techniques:** Attitude measurement tests and techniquesare used to measure attitudes of people towards persons, objects, and situations. They reflectpeople's attitudes and orientations towards the cultural values, myths, customs, traditions andrituals.
- **Content analysis:** Content analysis focuses on the examination of verbal, written, nonverbaland pictorial compositions/communication. The content analysis helps reveal and explainthe content of messages and the varying interpretations. Assessment about the society, and itsculture as well as evolutionary socio-cultural changes can be gauged through the content ofverbal, written, non-verbal and pictorial compositions/communication.
- **Consumer fieldwork:** Fieldwork may be conducted on consumers, so as to observe theirbehaviour, and draw generalizations about the values, myths, beliefs, customs, traditions andrituals. Such generalizations are drawn on observable in store shopping behavior.

Verbal andnon-verbal body language are also observed and recorded. Sometimes, instead of beingpassive observers, the researchers may assume active roles and interact with the consumers(participants) as salespersons. Interviews and focus group sessions may also be used.

- **Value measurement instruments:** Researchers today, are increasingly making use of valuemeasurement instruments. These are scales that measure values by means of a questionnaire.Participants are asked to give their opinion on varied issues like peace, freedom andindependence, comfort and convenience, ambition and success etc. Through interpretation oftheir responses and the observation of behavior, researchers can infer the dominant orunderlying values of the society. Such values would influence general and specific consumptionpatterns and buying behavior. Commonly used value measurement instruments are theRokeach Value Survey, the List of Values (LOV), and the Values and Lifestyles-VALS.

8.7 SUB-CULTURE

While culture is defined as the "personality of a society", (inclusive of language, customs and traditions, norms and laws, religion, art and music, etc), it is not entirely homogenous in nature. Not all people within a social system share the same language, religion, customs and traditions. Every society is composed of smaller sub-units, homogenous within, and heterogeneous outside, all of which when put together make a complex society. Such sub-units or sub-groups are known as sub-cultures; people within sub-cultures possess distinctive sets of values, beliefs, customs and traditions etc. The members of a subculture possess such values and beliefs, as also customs and traditions that set them apart from people belonging to other sub-cultures. For example, while we are all Indians, and our culture is Indian (with a common national language, Hindi, and common festivals like Diwali), North Indians are different from South Indians. While North Indians, celebrate Lohri, as a harvest festival in January, the South Indians celebrate Pongal as their harvest festival at the same time. In other

words, people within smaller units share the same language, religion, customs and traditions; and, this would be different in smaller or larger magnitude to people in other sub-units. A single culture can be broken up into various consumer subcultures. A subculture can be defined as a culture that is not dominant in its society. As consumers from various subcultures, we are different to each other. We have varying values and beliefs, customs and traditions, etc. These get reflected in our perspectives and orientations that influence our purchase patterns and consumption behaviour. That is why a study of sub-culture becomes important for a marketer.

8.8 TYPES OF SUB-CULTURE

Based on the varying criteria, there can be different types of sub-cultures. From a marketing perspective, these sub-cultures could also be discussed as market segments, which need to be studied and assessed carefully before deciding on a product/service offering and formulating a marketing mix for a particular segment(s). Following are the various types of sub-cultures:

- **Nationality:** Sub-cultures could be based on nationality. While we are all Asians, we aredistinct with respect to culture, and are different in terms of language, customs and traditionsetc. Thus, we are classified as Indians, Burmese, Nepalese, and Pakistani etc.
- **Geographical location:** Within a country, we could be different across geography, climaticconditions, regions and terrains, and density of population. This is more so in cases where thecountry is large and borders spread across a huge population occupying a vast territory. Peopletend to develop regional affinity and identification, and this gets reflected in the food they eat,clothes they wear, interests they pursue, etc. They constitute as distinct sub-cultures and peopleacross such sub-cultures are different to each other. For example, we can be classified as NorthIndians and South Indians. As consumers, our needs are different and would translate intovarious wants, for example, i) differences in food habits, and demand for poori-sabji, paratha,idli-vada

etc.; or ii) differences in clothing, and demand for cottons, woollens and silk.

- **Religion:** People also exhibit differences when it comes to the religion that they belong to.Hindus, Muslims, Christians, Sikhs, Parsi etc. are all different from one another and havedifferent values and beliefs, customs and traditions etc. As consumers, they make purchasechoices and purchase decisions that are influenced by the dictates of their religious leaders,scriptures, and holy books. In fact, many products/ services are symbolically and ritualisticallyassociated with religion. For example, as per Islam, non-vegetarian food must be "Halal", andthis itself comprises a huge segment that marketers across national boundaries are catering to.
- **Race and caste:** Culture and its components also vary across race and caste. Jats, Jaats,Rajputs, Pathans and Yadavs are all different from one another. Such racial sub-cultures alsoimpact buying behaviour and consumption patterns.
- **Gender:** Because gender roles have an impact on acts of behaviour, gender constitutes animportant cultural sub-group. Males and females across all cultures are assigned different traitsand characteristics that make them masculine and feminine. They also perform different roles insociety and are two distinct sub-groups. It is true that gender roles have got blurred, and bothmen and women are performing such roles that they did not perform earlier. Product usage iscommon to both man and woman; for example, a man shown as using a LG washing machineor making Act II popcorn. Similarly products like shavers and razors exclusive to usage by men,are also being used by women (Gillette thus introduced a razor 'Venus' for women). All this has broughtabout a big socio-economic change and led to cultural transformation. The values espoused bythe generation of today is much different to the one espoused by the previous generation.The pace of change has been further accelerated with households no longer beingsingle income households, but turned to dual-income households. The role of women is nolonger restricted to bearing children and managing the home.

Women have started workingoutside, and are contributing to household income. This has impacted consumer needs andwants as also the priorities. The impact is evidenced on consumption behaviour, where the 'decider'role is no longer confined to a single person, i.e. the man of the family. Today buying decisionsare jointly taken by husband and wife.

- **Age:** Infants, kids, teenagers and adolescents, adults and the aged, may all be looked up asdistinct sub-groups. They have different values and beliefs, and all this impacts upon theirpriorities in life. Daily lifestyles, activities and interests, fashion and accessories, food and diet,etc. receive varying priorities across the various sub-groups. For example, an aged personwould prioritize health and go in for nutritious home food as opposed to young man who wouldprioritize work and go in for fast food. Today we see a rising trend amongst kids, adolescentsand the young towards junk food, and they constitute a lucrative segment for restaurantsproviding fast food.

8.9 CROSS-CULTURE

As a result of rapid advancement and all-round development, we find ourselves exposed to people from various cultures. There has been a great deal of opening up, and the society has been impacted on all fronts, be it social, economic, cultural or technological. The cultural fabric has undergone a transformation and we see changes in our values and beliefs, customs and traditions, etc. As consumers also, we have been exposed to other cultures. We have inculcated/adopted values and beliefs, perspectives and orientations that are much different to what existed earlier. The past decade particularly, has seen changes with respect to what we eat, what we wear and how we behave. The marketer needs to go in for a study of the socio-cultural fabric of the respective country where he intends to enter and serve. He needs to have an understanding of the consumption pattern and the consumption behaviour across people from different cultures. He needs to assess the needs and wants as well as priorities and orientations of the people that he desires to serve.

Schiffman defines cross cultural consumer analysis or cross cultural marketing as "the effort to determine to what extent the consumers of two or more nations are similar or different." The marketer must understand how consumers in targeted countries are similar and dissimilar from each other. It is important for a marketer to have this understanding as it helps him assess the social and cultural similarities and dissimilarities so that he can design appropriate marketing programs and strategies for such segment(s).

8.10 CROSS CULTURAL INFLUENCES

Today with the nations in the world getting closer, international marketing or cross cultural marketing has become popular. Nevertheless, cultural diversity continues to exist between the various countries. So the marketer must understand the cultural variances and nuances and respond to them in a way that is appealing to the consumer of that country. The success stories of companies such as Hindustan Unilever Ltd, (HUL), Procter & gamble, Colgate-Palmolive, Kellogs, Coca-cola, IBM, Pizza Hut, Pizza Corner, McDonalds etc. Shows how they have indentified the cultural variations and suitably modified their marketing strategy to suit Indian consumer's requirement .They typically need to 'Think Global act Local.

- **Relevance of Cross Culture for Marketers:** A cross-cultural consumer analysis helps the marketer assess the market potential and customer reaction for his product and service offering. People's values and beliefs, customs and traditions, as also perspectives and orientations have a bearing on customer's needs, wants and priorities, finally translating into their desire for product and service offerings. These would vary across nations and cultures, and marketers must thus go through an acculturation process. As has been defined earlier, acculturation is defined as the process of learning a new or a foreign culture. It is essential that they learn about the culture of foreign countries, what their needs and wants are, how they prioritize them, how they form attitudes and opinions, etc. Thus, before taking decisions with

respect to entering foreign cultures, and the manner in which they should be served, a marketer should conduct a cross-cultural consumer analysis. Such an analysis provides a marketer with inputs as to how he should be modifying his 4Ps so as to elicit quick adoption and diffusion of his product and service offering. Every component of culture should be carefully studied and a marketing program designed accordingly.

- Ø Product names or brands should not have double meanings; they should not be insensitive in any manner, and they should not hurt the sentiments of people in the country where the marketer is planning to enter.
- Ø They should be easy to remember, recall and pronounce. Else marketers should make sure that they help consumers remember and pronounce such names. For example, when Perfetti Van Melle India launched their candy Alpenliebe, they designed an advertisement that had a jingle that helped consumers pronounce the name.
- Ø They should be distinct and not duplicate names already existing in the foreign country.
- Ø The marketer must make sure that the product or service offering appeals to the needs and wants of people from foreign cultures.
- Ø Marketer must make sure that he keeps in mind local customs and traditions while formulating the strategy.
- Ø While taking decisions on packaging and labelling as also design of advertisements, he must make sure of colours and symbols. Colours and symbols have varied meanings and connotations. The marketer should be careful that he should not be insensitive to people of foreign cultures.
- Ø Marketers must make sure that they employ local (foreign) people for sales and marketing in foreign cultures. They should avoid sending their own people as the latter would take time to be acculturated. It would be better if local people are hired who would know the language, customs, tradition etc, and with whom the customers would be more comfortable. They would also be in a position to

make localized decisions. Through a cross-cultural analysis, a marketer would get inputs into how the foreign culture is different to his native culture. When customers across two or more countries are similar, the marketer can afford to have a similar marketing program; in case they are different, he would have to adapt his 4Ps and design a separate individualized marketing strategy for the foreign country. The relevance of a cross cultural analysis for a marketer is summarized as follows:

- A cross-cultural consumer analysis helps predict customer reaction to a product and service offering; the marketer would get to assess the market potential and assess the viability of a segment(s).The marketer would get inputs into how the foreign culture is different to his native culture. This would help him decide whether to have a marketing program similar to the one that is present in the native country or to have a program that is 'individualized' to the foreign country.
- It would help him to position his product/service offering appropriately, keeping in mind the values and beliefs, customs and traditions, attitudes, opinions and lifestyles.
- It provides a marketer with inputs as to how he should be modifying his 4Ps so as to elicit quick adoption and diffusion of his product and service offering. This is particularly relevant for products that would be new to a foreign culture, and where the consumers would have to be taught about their importance and usage. The marketer would have to educate the consumers about such a product/service offering (cognition), create a favourable opinion and positive feelings (affect), and convince adoption and purchase (behaviour).

8.11 VALUES

Milton J Rokeach has defined cultural values as belief that a general state of existence is personally and socially worth striving for. Value systems are the relative importance which cultures place on the values. For example,

Indian culture has for many generations valued family togetherness (joint family system) and inner harmony as a part of our value system. While in America or the Western culture more emphasis or value is placed on individual accomplishment.

Rokeach has considered cultural values as terminal values or goals to be attained or developed. He has also defined another category of values, instrumental values which are he means of achieving the desired goals.

Rokeach's classification of cultural values can be used for studying purchasing behaviour. It may be said that terminal values are the ultimate purchasing goals and instrumental values are consumption specific guideline o attain these goals. So in terms of consumer behaviour :

- Product attributes are the means of attaining goal
- Instrumental values are consumption specific values or vehicles for attaining goals
- Cultural specific terminal values are the ultimate purchasing goals.

To a certain extent cultural values will help marketer to plan the marketing strategy. Cultural values are more likely to influence broad purchasing patterns. For example, a better understanding of the motivation behind brand purchases can be worked out by having a look at the culturally derived purchasing values.

Therefore, values are beliefs, however, values differ from other beliefs because they must meet the following criteria:

- They are relatively few in number.
- They serve as a guide for culturally appropriate behaviour.
- They are enduring or difficult to change.
- They are not tied to specific objects or situations.
- They are widely accepted by the members of a society.

In a broad sense, both values and beliefs are mental images that affect a wide range of specific attitudes that, in turn, influence the way a person is likely to respond in a specific situation.

Value Measurement Survey Instruments

Anthropologists have traditionally observed behaviour and inferred dominant or underlying values. Recently there has been a gradual shift to

directly measuring values by means of survey research. Value instruments ask people how they feel about such basic personal and social concepts as freedom, comfort, national security, and peace. A variety of popular value instruments have been used in research are:

- Ø The Rokeach Value Survey
- Ø List of Values (LOV)
- Ø Values and Lifestyles(VALS)

- The **Rokeach Value Survey** is a self-administered value inventory, which is divided into two parts. Part one consists of 18 terminal value items, designed to measure the relative importance of end-states of existence (personal goals). Part two consists of 18 instrumental value items, designed to measure the basic approaches an individual might take to reach end-state values.
- The **LOV** is a related instrument. Its scale asks consumers to identify their two most important values from a nine-value list.
- The **VALS** consists of two concepts that are critical for understanding the target consumers-primary motivation (horizontal dimension in the framework) and resources (vertical dimension). These two aspects decide what can be expected of a consumer in a marketplace.

8.12 CULTURAL DIFFERENCES IN NON-VERBAL COMMUNICATIONS

Non-verbal communication is a type of communication that occurs without words.It is in the form of body language and environmental context involved in any communication. It is not what is said with words but how it is said and expressed. There are many types of non-verbal communications like eye contact, hand movements, facial expressions, touch, gestures, etc. Non-verbal communication is different from person to person and especially from one culture to another. Cultural background defines their non-verbal communication as many forms of non-verbal communications like signs and signals are learned behaviour. As there are differences in meanings of non-verbal communication, miscommunication can occur

when inter-cultural people communicate. People can offend others without meaning to due to their cultural differences in non-verbal communication. Facial expressions are mostly similar in most cultures as many of them like smile and cry are innate.According to researches, six expressions are universal, they are: happiness, sadness, disgust, fear, anger and surprise. But it might also be different like the extent to which people show these feelings, in some cultures people express openly and in some people do not.For instance, you are a European, you are travelling to Japan and you don't speak Japanese. You don't have a translator or a dictionary and you can only use non-verbal communication to communicate with people.You go to a restaurant and order food by pointing at something. Similarly, you pay money and leave. The people bow to you when you are leaving the place as a satisfied customer.But there might be other instances when it doesn't go so well because of non-verbal communication like people refusing to have eye contact or getting offended when you have eye contact with them.Nods might also mean different things causing problems like when the person nods to say "yes", other people might understand it as a "no". In Japan, when you nod, they can just take it as a signal that you are listening to them.

Some of the nonverbal communication differences in different cultures are:

- **Eye Contact:** Western cultures mostly consider eye contact to be a good gesture. It shows attentiveness, confidence and honesty. Other cultures such as Asian, Middle Eastern, Hispanic and Native American do not take it as a good expression. It is taken as a rude and offensive expression. Unlike in Western cultures taking it as respectful, other do not consider it that way. In Eastern cultures women should especially not have eye contact with men as it shows power or sexual interest. In some cultures, whereas, gazes are taken as a way of expression. Staring is taken as rude in most cultures.
- **Gestures:** Gestures such as thumbs up can be interpreted differently in different cultures. It is taken as "Okay" sign in many cultures whereas is taken as a vulgarism in others like Latin American cultures and in

Japan some even take it as money.Some cultures take snapping fingers to get the attention of a waiter as alright whereas some take it as disrespect and very offensive. Showing feet is taken as offensive in some Middle Eastern cultures. Some cultures take pointing fingers as insulting too. In Polynesia, people stick out their tongue to greet people which is taken as a sign of mockery in most of other cultures.

- **Touch:** Touches are taken as rudeness in most cultures. Shaking hands is considered to be acceptable in many. Similarly, acceptability of kissing, hugs, and many other touches are different in different cultures. People in Asia are more conservative in these types of non-verbal communication.Patting head or shoulder also has different meanings in different cultures. In some Asian cultures patting children's head is very bad signal as head is taken to be sacred. Middle Eastern countries take touch between people from opposite genders is taken as bad character. Where and how you are touched or touch changes the meaning of touch. So, you must be careful when you visit a new place.
- **Appearance:** Appearance is another form of non-verbal communication. People are judged from their appearance. Racial differences as well as differences in clothing tell so much about any individual.Grooming yourself to look good is taken as an important aspect of personality in most cultures. But, what is considered to be a good appearance is different again in different cultures. Modesty is also measured from appearance.
- **Body Movement and Posture:** People receive information or message from body movements. It shows how people feel or think about you. If a person does not face you while talking to you can mean that the person is nervous or shy.It might also mean that the person doesn't like to talk to you. Other body movements like coming to sit near or far can also show confidence, power or trying to control the environment.Postures like sitting straight or slouched also show the mental condition of the person. Hands in pocket also show disrespect in different cultures. For example, sitting with crossed legs is considered offensive in Ghana and Turkey.

- **Facial Expressions:** Face shows feelings, attitudes and emotions. The degree of facial expressions is determined by cultures. People from United States show emotions more than their Asian counterparts.Facial expressions are shown to be similar all over the world, but people from different cultures do not show it in public. The meanings of these are commonly acknowledged everywhere. Too much expression is taken to be shallow in some places whereas in some it is taken as being weak.
- **Paralanguage:** How we talk also constitutes of what we communicate. For example, vocal tones, volume, rhythm, pitch, etc. speak more than what words express. Asian people control themselves from shouting as they are taught not to do so since their childhood.They are known as vocal qualifiers. Vocal characterizations like crying, whining, yelling, etc. change the meaning of the message. Giggling is taken as a bad gesture in some cultures. Many other emotions are shown by vocal differences while all of them are included in paralanguage.
- **Physical Space (Proxemics):** People from different cultures have different tolerance for physical distance between people. In Middle Eastern culture people like to go near to others to talk while in others people might get afraid if anybody does so.Even Europeans and Americans do not have that much acceptance on the breach of physical distance and less acceptances for it among Asians. People have specific personal space which they do not want intruded. In some cultures, even close physical contact between strangers is acceptable.

Keeping the above things in mind the marketer need to formulate various marketing strategies for different markets. These non-verbal cultural differences are not only applicable across national boundaries but also within the nation.



ANSWER TO CHECK YOUR PROGRESS

1. Culture is a society's personality, unique in itself and differentiated from others.(True or False)

2. A single culture can be broken up into various social classes. (True or False)
3. The process of learning one's native culture is known as_____, while the process of learning a new or a foreign culture is known as _____. (Fill up)
4. Values are the ---------- and ideals shared by the people of a society, for which theyhave great respect and regard.(Fill up)
5. The types of products or services are not determined by the culture of he consumer to which he belongs to. (True or False)



8.13 LET US SUM UP

- Culture is the sum total of learnedbeliefs, values, and customs that serve to direct the consumer behaviour of members of aparticular society.
- Culture and its impact on consumption behaviour can be better explained by understanding the nature and characteristics of culture like culture is learned, it is dynamic, passed from generation to generation, it is gratifying etc.
- Culture is reflected through the various components that it comprises viz., values, language,myths, customs, rituals and laws.
- Culture can be measured through use of many techniques, such as Projective Tests, Attitude Measurement Tests, Content Analysis etc. These techniques are used to study and assess cultural patterns, changes and trends.
- Not all people within a social system share the same language, religion, customs and traditions. Every society is composed of smaller sub-units, homogenous within, and heterogeneous outside, all of which when put together make a complex society. Such sub-units or sub-groups are known as sub-cultures; people within sub-cultures possess distinctive sets of values, beliefs, customs and traditions etc.
- Based on the varying criteria, there can be different types of sub-cultures. From a marketing perspective, these sub-cultures could also be

discussed as market segments, which need to be studied and assessed carefully before deciding on a product/service offering and formulating a marketing mix for a particular segment(s).

- Cross cultural consumer analysis or cross cultural marketing is the effort to determine to what extent the consumers of two or more nations are similar or different. The marketer must understand how consumers in targeted countries are similar and dissimilar from each other. It is important for a marketer to have this understanding as it helps him assess the social and cultural similarities and dissimilarities so that he can design appropriate marketing programs and strategies for such segment(s).
- Values are the beliefs and ideals shared by the people of a society, for which theyhave great respect and regard. They could assume both positive (do's) and negative (dont's)connotations, and are indicative of appropriate thoughts, feelings and acts of behaviour.
- There are many types of non-verbal communications like eye contact, hand movements, facial expressions, touch, gestures, etc. Non-verbal communication is different from person to person and especially from one culture to another. Cultural background defines their non-verbal communication as many forms of non-verbal communications like signs and signals are learned behaviour.



8.14 FURTHER READING

1) Schiffman, L.G. and Kanuk, L.L., Consumer Behavior, Eight Edition, 2004, Prentice Hall, India.
2) Loudon, D.L. and Bitta A.J. Della, Consumer Behavior, Fourth Edition, 2002, Tata McGraw-Hill, New Delhi.
3) Kotler P., and Keller K.L., Marketing Management, Thirteenth edition, 2009, Pearson.



1.3 ANSWER TO CHECK YOUR PROGRESS

Ans to Q No 1: True

Ans to Q No 2: False

Ans to Q No 3: Enculturation, Acculturation

Ans to Q No 4: Beliefs

Ans to Q No 5: False



8.15 MODEL QUESTIONS

Q 1: Define culture in the context of consumer behaviour. Discuss the characteristics of culture.

Q 2: What are the forms in which cultural learning take place?

Q 3: Explain the various components of culture.

Q 4: Discuss the instruments for measuring culture.

Q 5: What is sub-culture? Elaborate different types of sub-culture.

Q 6: What is Cross culture? Discuss the marketing implications of cross culture.

Q 7: What are values? How it is different from beliefs.

Q 8: Describe the cultural differences in non-verbal communication.

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UNIT 9: SOCIAL CLASS AND GROUP INFLUENCES ON CONSUMER BEHAVIOUR

UNIT STRUCTURE

9.1 Learning Objectives

9.2 Introduction

9.3 Nature of Social Class

9.4 Social Class Categories

9.5 Money and Other Status Symbols

9.6 Source of Group Influences

9.7 Types of Reference Groups

9.8 Nature of Reference Groups

9.9 Reference Group Influences

9.10 Application of Reference Group Influence

9.11 Conformity to Group Norms and Behaviour

9.12 Family Life Cycle Stages

9.13 Nature of Family Purchases and Decision-making

9.14 Husband-wife Influences

9.15 Parent-child Influences

9.16 Consumer Socialisation of Children

9.17 Word-of-mouth Communications within groups

9.18 Opinion Leadership

9.19 Lets Us Sum Up

9.20 Further Reading

9.21 Answers to Check Your Progress

9.22 Model Questions

9.1 LEARNING OBJECTIVES

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

- discuss the meaning of social class
- explain the characteristics and categories of social class
- discuss about the money and other status symbols

- explain the meaning of group influence
- discuss the different types of reference group along with its nature
- discuss the reference group influence and its application
- discuss the conformity to group norms and behaviour
- explain the different family life cycle stages
- discussthe nature of family purchase and decision-making
- discuss the husband-wife influences
- explain the parent-child influence and customer socialisation of children and word of mouth communication within groups
- discuss about opinion leadership.

9.2 INTRODUCTION

Social Class refers to the hierarchical divisions between individuals or groups in societies or cultures. Individuals are grouped into classes based on their economic positions and similar political and economic interests within the system.The social class is essentially a status group. Different statuses arise in a society as people engage in different activities. Social class is a range of social positions on which each member of society can beplaced.

Horton and Hunt (1968) have defined "A social class as a stratum of people of similar position in the social status continuum."

According to Giddens (2000), "a social class is a large-scale grouping of people who share common economic resources, which strongly influence the type of lifestyle they are able to lead".

The Social Class can be defined as the division of members of a society into a hierarchy of distinct status classes, so that members of each class haverelatively the same status and the members of all other classeshave either more or less status.

Thus, the social class are based on class identification, class consciousness, wealth, property, income, education, occupation etc. The demographic factors that determine a person's social class include income, wealth, source of income or wealth, occupation and educational attainment.

The social class are described as the life-styles of a particular class. It includes mode of dress, means of recreation, preferences, tastes and values of a class.

9.3 NATURE OF SOCIAL CLASS

Social class is the segment of a society arrived at by a hierarchical classification of individuals and families with a distinct status. The status denotes the aggregate effect of the members of a class. The analysis of the characteristics of the social class helps the marketer to understand the consumption pattern. The important characteristics of the social class are explained below:

- **The members of each class have relatively the same status:** A social class is defined by the amount of status, which the members of that class have in comparison with members of other social classes. 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.
- **Persons within a given class tend to behave alike/same:** Social classes are homogeneous divisions of the society. Each social class shows similar life-styles, values, status, prestige and interests. So, the buying behavior of the members becomes similar. There are also shared attitudes and among members. For example, a person belonging to middle class prefers economically priced cars. But customer of 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.
- **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 class. 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.

- **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.
- **Social class is mobile:** Social class membership is not fixed. Individuals can move either up or down in social class. Successful persons move up to the higher class. Today, many young men and women start their own business to have higher social status. Higher social classes become reference groups for ambitious men and women of lower social status.
- **Social class and status differentiation:** Social class is measured 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 car. A middle class status person owns a 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: State the features of social class.

9.4 SOCIAL CLASS CATEGORIES

Social class are categorised in a hierarchy ranging from low to high status. Marketers use social class to segment consumers because members of the same social class share values, attitudes, and priorities regarding all the aspects of their lives.Warner has classified the society into six classes. The classifications are as follows:

- **Upper-Upper:** They are elite, wealth inherited and value family reputation. This section is socially responsible.
- **Lower-Upper:** This section has wealth of first generation. They are also known as neo-rich. The people choose good schools for children. The future generations have chance to move to top-class. They copy etiquettes of the top-class.
- **Upper-middle:** This section is larger than the above two classes. They are financially stable and secured. The class depends upon three components i.e. cultural, consumption pattern and psychographics. They are moderately successful professionals and businessmen. They like to copy the upper classes.
- **Lower-middle:** This section is one of the large classes of the society. The supervisors, non-managerial staff, traders, clerical staff, sales-people consists this section. The people also believe in value education.
- **Upper-lower:** This section is the largest section of the society. This consists of wage-earners. Most of the working class falls under this. They strive for respectability.
- **Lower-Lower:** The people of this section have the lowest income or are unemployed. This class is basically underdeveloped and uneducated. They are daily wage earners having low occupation.

Thus, social class can said to have a profound effect on consumer spending habits. Perhaps the most obvious effect is the level of disposable income of each social class. Generally, the rich have the ability to purchase more consumer goods than those with less income, and those goods are of higher quality. There is also a distinction in the type of goods purchased. For example, the upper class tend to be the

primary buyers of fine jewelry and often shop at exclusive retailers. The lower class, in contrast, are much more concerned with simply getting by; they focus more on necessities.

9.5 MONEY AND OTHER STATUS SYMBOLS

The status symbol is one of the vital factors in consumer's mind. It is an object that means to signify its owners' high social and economic standing. The status symbols change over time but they are always linked to the primary differences between the upper and lower classes within the society. Expensive goods like luxury vehicles, large houses, and expensive watches, jewellery, clothing, high standard of living etchave become status symbols. These are mostly out of reach for lower economic classes. Themilitary or law enforcement uniform is also an example of status symbol displaying additional insignia of rank, specialty, tenure and other details of the owner's status within the organization. The status symbols change constantly according to cultural values, taste, popularity, branding, psychology, and a host of other factors.

The consumers consume those products which are regarded as status symbols because these products confer perceived and notional benefits like increased social recognition along with high intrinsic value. The marketers also use different marketing techniques to arise the innate desire in the consumers to consume goods and services that are perceived to be superior in value. The people of lower income levels have the aspirations to achieve the status of those in the higher levels and hence each class tends to emulate the ones above leading to a trickledown effect of the product or service on the class consciousness of the consumer.

Apart from the use of celebrities, marketers also rely on reference groups which portray an image for consumers to refer to as a benchmark that can be aspired to by consuming the product. Hence, marketers often use ads featuring settings of a particular class to signify that consumers in other classes can achieve this status in society.

9.6 SOURCE OF GROUP INFLUENCES

Groups consist of two or more individuals related to each other by shared norms or behaviour of values. The group is any number of people who have a common purpose or objective who interacts with one another to accomplish their objectives.

In the words of David Smith, "A group is a set of two or more individuals who are jointly characterised by a network of relevant communications, a sense of collective identity and one or more shared dispositions with associate normative strength."

Stephen Robbins defined "A Group as two or more people, interacting and interdependent who come together to achieve particular goals."

Thus, group is considered with two or more persons who are interacting and inter-dependent and who come together to achieve particular goals.

9.7 TYPES OF REFERENCE GROUPS

Reference groups are the groups that consumers will look to for help in making purchasing decisions.The consumers compare themselves to or associate with the reference group before making any buying decision. Reference groups are similar to opinion leaders. They influence the consumer behavior. They are often groups that consumers will look before make purchasing decisions. If a reference group endorses a product those that look to the group will often purchase that product. On the other hand, if a reference group disapproves a product, those that associate with that group will probably not purchase the product.

In every organisation, reference groups can be divided into five (5) divisions. These are:

- **Formal Group:** Formal group are the part of the organisation structure. They are created by the management to perform the assigned duties. The formal groups are formally organised to get the work done. Clubs,

associations, and religious organizations are the examples of formal reference groups.

- **Informal Group:** These groups are created in the organisation because of the operation of the social and psychological forces operating at workplace. The informal groups arise voluntarily satisfying the social needs of the members of the group. It depends upon the common interest, language, caste, religion, background, mutual liking among the members of the group.Friends and peers are the examples of informal reference groups.
- **Membership Group:** The membership group is that group in which a person has to either belongs or qualify for membership. The members either informally or formally accept the membership of any particular group. For eg.: social clubs, social networking circles,the rotary club etc.
- **Symbolic Group:** The symbolic group is the 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. For eg.: Professional cricketers may constitute a symbolic group in India.
- **Friendship Group:** The friendship group are typically classified as informal groups. These groups are usually unstructured and lack specific authority levels.

Additionally, celebrities are also used as a reference group. A company might use a celebrity it feels will match its target market to get that market to purchase its product. For example, a few years ago ShafaliVerma, the Indian female cricketeriscontracted to endorse Pepsi because Pepsi felt she represented the spirit of teenagers.



CHECK YOUR PROGRESS

Q 2: What is membership group?

9.8 NATURE OF REFERENCE GROUPS

The reference individuals or groups influence the opinions, beliefs, attitudes and behaviour of any customer. The following characteristics of Reference Group Behaviour may be pointed out:

- The individual or group considers the behaviour of the other individual or group as ideal behaviour and imitates it.
- The individual or group compares himself or itself with the other individual or group.
- In Reference Group Behaviour, the individual or group desires to rise higher in the social scale and as such the group or individual comes to feel that it is his or her defects or weaknesses.
- The feeling of relative weaknesses or defects leads to the feeling of relative deprivation in the individual or group.

9.9 REFERENCE GROUP INFLUENCES

The concept of reference group helps to understand socialisation, conformity, perception of the people. Reference groups have an important influence on purchasing decisions. This is evident in a number of ways, such as through roles. Everyone is expected to behave in a certain way based on the reference group we belong to. Customers will often modify their own behavior to coincide with group norms. Reference groups communicate through opinion leaders, who influence what others do, act, and buy. In the consumer world, this means that if a reference group purchases a product, those that associate with the group likely will as well. The Reference groups perform three basic functions:

- They serve a normative function by setting and enforcing standards of conduct and belief.
- They also perform a comparison function by serving as a standard against which people can measure themselves and others.
- They serve not only as sources of current evaluation but also as sources of aspiration and goal attainment (as a means of anticipatory

socialisation). A person who chooses to become a professor or a lawyer begins to identify with that group and becomes socialised to have certain goals and expectations.

However, the importance of the reference groupis that it helps to understand about group behaviour of society informing the marketer about the direction of an individual's behaviour in a particular social environment.

9.10 APPLICATION OF REFERENCE GROUP INFLUENCE

The three sources of reference group influence which are relevant for marketers to design their marketing strategy are:

- **Expert Power:** The expert power is exerted when an individual or group have knowledge and experience.
- **Reference Power:** Reference power depends on the individual's identification with members of the group. The greater the similarity between the individual's beliefs and attitudes and those of group members, the greater the reference power of the group. The individual is either the member of the group or he/ she aspires to belong to a group.
- **Reward Power:** It is based on the group's ability to reward the individual. An employer rewards an employee with money and status, family rewards the child with praise and approval.

There are various factors that affect the influence of the reference group. The choice of the consumer depends upon the following factors:

- **Normative Influence:** When reference groups affect behaviour and attitudes through pressures for conformity, then this is known as normative influence. According to Park and Lessig, a consumer is motivated to conform to the norms and behaviour of the group if the group provides significant rewards for compliance and punishment for lack of compliance.

Conformity pressures become important when the positive motivation is required to maintain the group identity and the motivation of threats of sanctioning power in the form of rewards and punishments. Normative influence can occur even when others do not control tangible outcomes because people are concerned with their perceptions of what other think of them.

This means, it may also occur for items such as mouthwash and denture adhesive, even if these items are not visible. Marketing studies reveal that conformity pressures do impact is buying decisions and this is true when the product is conspicuous in its purchase and use and when group social acceptance is a strong motivator. For example- fashion conscious women receives clear signals from their peers which product to buy so that their choices were socially correct.

- **Informational influence:** A consumer will accept information from a group if he or she considers the group a credible source of information and expertise and if he/she believes the information will enhance knowledge about product choices. The information can be collected directly from knowledgeable persons or by observing the behaviour. Consumers usually seek expert advice from personal sources such as friends and neighbors than from commercial source.
- **Comparative Influence:** Comparative influence means comparing oneself to other members of the group and also judging whether groups would be supportive. Consumers constantly compare their attitudes to those of members of important groups. They try to associate themselves with groups with which they agree and by dissociating themselves from groups with which they disagree. Individuals look forward to enhance their concept by associating with groups that will provide reinforcement and ego gratifications. Individual's behaviour toward the group is similar and the source of power is referent power. Comparative influence implies that those being influenced should have characteristics similar to one who is influencing.

Marketers and advertisers use reference group appeals very effectively to communicate with their customers. They use three types

of group influence informational, comparative and normative to develop advertising and personal selling strategies.

9.11 CONFORMITY TO GROUP NORMS AND BEHAVIOUR

Social norms are implicit and explicit rules of behavior that are developed through interactions among members of a given group or society. Essentially, norms are prescriptions for how people should act in particular situations. All groups have established norms that tell members what they should and should not do under certain circumstances. When agreed to and accepted by the group, norms act as a means of influencing the behavior of group members with a minimum of external control. Group members desire acceptance by the group, and because of this desire, they are susceptible to conforming to group norms.

For eg.: listeningto the teacher in a classroom without interrupting, waiting in line until it gets to their turn to purchase concert tickets, agreeing to the views or opinion of the friends despite having different feeling on an issue.

The conformity to the group norms has some practical advantages. The customer behaves "correctly" most of the time generally "doing the right thing". The customers get a fairly good idea of what to expect from each other. But it also has negative connotations. The major reason for the negative connotations of conformity is that by implication conformity seems to negate individual choice and responsibility.

Individuals are members of many groups in domains such as family, friendship, work, and community, and each overlapping group has norms that may be similar or different. Some or all of these norms may influence an individual's behavior, and some norms apply to essentially everyone, whereas others apply only to certain members within a specific context. For example, norms against incest and cannibalism are widely held in nearly all cultures. Other norms, such as those regulating greetings and nonverbal behavior, vary among cultures or even within cultural subgroups. The norms

that are salient at any particular time vary as a function of group and setting, and social norms become more salient when the situation calls attention to group membership.

The conformity to the group norms becomes clearer when the shared nature of group norms is considered. The shared, collective nature of norms means that they are not dependent on any individual; norms are present before we arrive in society and they persist after we have left. But irrespective of whether they are brief or more long-term, norms are in the collective culture and are taught to individuals as they are socialized to become part of the larger society.

The Norms act as signposts for correct behavior, informing individuals of what to do in order to be readily accepted and positively evaluated by the group. The individuals may not like the particular norms, but in not conforming to a norm they also have to consider the typically negative reactions (e.g. rejecting or boycotting) on the part of other group members.

The importance of conformity is that conformity enables the buying behaviour of the customers collectively to proceed smoothly and with efficient use of resources.The individuals know what they and others will most likely do in given situations. However, there must be potentiality for different and new forms of behaviour to emerge meeting the changing challenges of an involving environment.

Individuals obey social norms for several reasons. First, compliance is the simplest, most direct motive for conformity to group norms. It occurs because members wish to acquire rewards from the group and avoid punishment. Compliance is characterized by a change in observable behavior to match the social norm while maintaining a private lack of acceptance of the norm itself. Second, identification occurs when individuals conform because they find other supporters of the norm attractive. Identification as a motive for conformity is often revealed by an imitation process in which established members serve as models for the behavior of others. For example, a newly promoted executive might attempt to dress and talk like her successful, admired boss. Third, individuals may conform to a norm because they have truly and wholly accepted the beliefs, values,

and attitudes that underlie it. Conformity occurs because the norm is seen as right, not because it achieves rewards, avoids punishment, or pleases others. That is, conformity is the result of internal rather than external forces.

9.12 FAMILY LIFE CYCLE STAGES

Families are the foundation of society. The structure of family is influenced by religion, caste and regional differences. Although traditional roles are changing, there are still some important values shared by most Indian families. Most of the families are joint families where each member has their own role. The family plays an integral role in influencing the purchasing behaviour. The choices of the child are determined by the parents based upon the safety and need of child. Whereas, the children also influences the decision-making process related to whole family.

The family life cycle is a series of stages through which a family may pass over time. Typical stages in family development include the periods of a single young adult, a newly married couple, a family with young children, a family with adolescents, launching the children, and a family in later life. The family life cycle emphasizes the effects of marriage, divorce, births, and deaths on families, as well as changes in income, expenses, and assets.

Family life cycle can be a part of the segmentation,targeting and positioningof the consumer. The marketer has to target the buying behaviourof the each generation of people present within an individual family.

Thus, in a joint family, there might be youngsters, parents,grandparents, uncles and aunts, all in different phases of their life. The marketers should take strategies for each of the target market or target demography. The family life cycles focused on shopping styles, information use and decision making differences by a person in the different stages of his life.

Basically, the family life cycles describes the stages through which consumers pass through their lives when they have families. All the stages are based on various criteria like age, marital status, career, disposable income and either presence or absence of children. The various stages of

family life cycle that influence the customer buying behaviour are as follows:

- **Bachelor stage:** During the bachelor stage, people are usually characterized by being interested mainly in appearances. Therefore, people at this stage tend to invest more in fashionable clothing and vehicles. Impulsive buying as well as premium buying is a common characteristic of the Bachelor stage. The bachelors develop intimate peer relationship during this period.
- **The newly married couples:** In this stage, the new married couples are considered to be in a better financial position in the initial stage. It might be possible that both, the husband and wife, are earning members. Thus, the buying decisions focus on quality and not quantity. The married couples will always think about savings and insurances, along with investing in long term products like good furniture, new home, etc.
- **Families with young children:** This segment of the family life cycle consists of families having one or two young children. The purchases of these people are dominated by the children's needs mostly. Thus, people having two kids are likely to save money and spend more in the future of their children. Thisgroup is mostly targeted by insurance companies and marketers for products like Boost and Complan.
- **Families with adolescents:** This phase of family cycle consists of parents with their adolescent children. The buying behaviour is mostly focussed on midlife marital and career issues. Most of the savings are spend on education and career building issues of the children.
- **Empty Nest:** In the empty nest category, children go away from home due to education, job or marriage. This type of segment may be targeted for investing in their children who are away from home or to start spending money for their own vacations and hobbies. The parents also focus on savings for the retirement period.
- **The solitary survivor:** This can consist of either a widow/widower who is still working or who is retired. Their main focus is on savings and their purchases are dominated by accommodation and medication mostly.

This method is considered to be a useful method for segmenting the market. This cycle provides an understanding in customer behavior by looking into various stages of the family life resulting in different buying patterns. It takes into account changes in family structures and behavior accompanying progression from birth to death. Thus, based on all the segments, the typical demography can be made and targeting is carried out accordingly.

The segmenting of the market based on the family life cycle provides a technique of anticipating the market growth through market estimation, by forecasting the number of persons entering into each stage of a cycle in one year. The marketer gets an overview of the variables which affect the entry of a family into the different stages of life.

Thus, the family life cycle concept describes the effect of time on a family through the different stages of life focusing on their patterns of consumption and spending based on their income.

9.13 NATURE OF FAMILY PURCHASES AND DECISION-MAKING

Individual members of families often serve different roles in decisions that ultimately draw on shared family resources. Some individuals areinformation gatherers, who seek out information about products of relevance. These individuals often have a great deal of power because they may selectively pass on information that favours their chosen alternatives.Influencersdo not ultimately have the power decide between alternatives, but they may make their wishes known by asking for specific products or causing embarrassing situations if their demands are not met. The decision maker(s)determine the important issues related to whether to buy, which product to buy, which brand to buy, where to buy it and when to buy.

The sophisticated, complex behaviours adopted by children influence the family purchase decisions. The knowledge and information enhance and facilitate the adoption of other influence behaviours. A distinction can

be made between knowledge and information. Knowledge refers to expertise or experiences initialised by the children that they articulated when a purchase was being make.For example the children had gained knowledge of computer technology through using PC's at school and at friend's homes. In contrast, information was an external resource that the children accessed during a purchase decision. For example, for holiday purchases, some children went on the Internet to gather information on the alternatives and presented this to their parents. In some cases, it was evident that through accessing information the children became more knowledgeable about a purchase and could draw on this source during future purchase decisions.The knowledge and information solve the problem derived their 'experience' strategy.These strategies are focused on drawing on expertise and experience from individuals both within and external to the family and using information from various sources. Knowledge and information supported and enhanced the adoption of other influence strategies, forming the backbone of all influence behaviour.The most significant role knowledge and information played was allowing children to justify their purchase requests by highlighting the benefits and enabling them to 'sell' their idea to others. Most of the child influence behaviour started with this base, and was then enhance by the use of other behaviour.

9.14 HUSBAND -WIFE INFLUENCES

Marketer have found that the spouse of the consumer influence the buying decision of the consumer. The decision-making pattern can be divided into four patterns:

- **Husband-dominated decisions:** these decisions are those where the husband's influence is greater than the wife's.
- **Wife-dominated decisions:** these decisions are those where the wife's influence is greater than the husband's
- **Joint decisions:** these decisions have equal influence of both husband and wife.
- **Autonomic decisions:** these decisions are those where either the

husband or the wife is the primary or only decision maker.

The relative influence of a husband and wife on a particular consumer decision depends mainly on the product or service category. For eg.: when purchasing a new automobile, the buying decision is influenced by husband dominant. In case of food, the decisions were often wife-dominated. Traditionally, women have controlled their families' day to day household spending and husbands were in charge of banking and financial decisions. Husband-wife decision making is influenced by cultural factor. However, in urban cities, married couples share equally in purchase decision rather than rural couples.

9.15 PARENT-CHILD INFLUENCES

Children also plays an active role in the decision making process of the family. The growing influence of the children in the families allows the children to express themselves. The single-parent households push their children to participate in the household decisions and to become self-reliant. There are different tactics used by the children to exert their decision on the parents buying behaviour:

- **Pressure:** the child demands, threatens and tries to intimidate the parents.
- **Exchange:** the child promises something in exchange
- **Rational:** the child uses a logical arguments and factual evidence
- **Consultation:** the child seeks parents' involvement in the decision
- **Ingratiation:** the child tries to get the parents in a good mood and then make the request.

Children constitute a huge secondary market by influencing family purchases, which begin as soon as children have developed the communication skills to make requests. Children's are more likely to influence the purchase decisions that directly affect them and have more influence over less expensive products and those for their own use. Perhaps unsurprisingly, children have been found to have less influence on decision making for products that are of high cost and used by the

whole family. It is argued that parents will take responsibility for these higher-risk decisions. Although some of found minimal child influence for larger, family purchases, others have found higher levels of influence than was anticipated by earlier research. Some of the highest levels of influence are seen for child oriented family purchases such as holidays and leisure activities. Influence levels are lower for family purchases that are classed as adult oriented such as cars, furniture and TV's.

9.16 CONSUMER SOCIALISATION OF CHILDREN

Consumer socialization is the process by which young people acquire skills, knowledge and attitudes relevant to their functioning as consumers in the marketplace. The consumer socialisation is a subdivision of consumer behaviour as its main focus is on how childhood and adolescent experiences affect future consumer behaviour. It attempts to understand how factors such as peers, mass media, family, gender, race, and culture influence and develops the customer behaviour. Some of the factors are discussed below:

- **Television:** Mass media has been shown as an important socialization agent for the family and peers. Children learn from observation of the advertisements.They develop their consumer behavior as well as leaning consumer role, perceptions and lifestyles from the television shows.
- **Family:** Family is also a major influence in consumer socialization. Parent-child socialization is an adult initiated process by which developing children, through insight, training, and imitation acquire the habits and values congruent with adaptation to their culture. Mothers tend to have the most influence in consumer development and can teach consumer behavior through observation, direct discussions, and parent supervision. Parenting style plays an important role in consumer socialization because parent-child interactions determine how parents teach their child consumer behavior. Parents who have negative attitudes toward television advertising tend to have children who request fewer

purchases and are more consumerseducated. Children who spend less time with parents and other familial ties are more likely to be affected by peers and media than children who spend time with their family.

- **Attitude of siblings and grandparents:** The influence that other familial connections, such as siblings and grandparents, may have on consumer socialization has not been studied as extensively as parents. Siblings have been found to rely on each other to gain information on the marketplace.
- **Gender:** Gender has been identified as a critical social structure variable in consumer socialization. Women tend to have a more positive attitude toward advertisements than males. Young girls and teenagers are more affected by peer and family influence than boys. Young girls are also more likely to deem a brand their favourite based on whether their friends have them. Boys tend to be more influenced by non-personal communication than interpersonal interactions.

9.17 WORD-OF-MOUTH COMMUNICATIONS WITHIN GROUPS

Word of mouth (WOM) is product information that individuals transmit to other individuals. Word of mouth is shared by customers and triggered by an event the customer experiences. This often starts when a company does something unusual or unexpected that motivates customers to share the word about it.Word of mouth or viva voce is the passing of information from person to person using oral communication.

Storytelling is a common form of word-of-mouth communication where one person tells others a story about a real event or something made up. Storytelling is one of the forms of word of mouth that plays important roles in folklore and mythology.

Word-of-mouth marketing (WOM marketing) is when a consumer's interest in a company's product or service is reflected in their daily dialogues. Essentially, it is the free advertising triggered by customer experiences. Word-of-mouth marketing can be encouraged through different publicity

activities set up by companies, or by having opportunities to encourage consumer-to-consumer and consumer-to-marketer communications.

Also referred as "WOMM" or "word-of-mouth advertising", WOM marketing includes buzz, viral, blog, emotional, and social media marketing. Though traditional word-of-mouth relies on consumers talking to one another in a direct, personal context like an in-person conversation or a telephone call, Internet-based word-of-mouth uses a variety of platforms that may not involve speaking at all.

Any organization that can encourage people to spread information about a product, a cause, or the organization itself can use word-of-mouth marketing. It is useful in for-profit endeavours as well as in non-profit causes like political campaigns.

An apartment management company, for instance, could encourage tenants to refer their friends and family to the company if they are in the market for a place to live. The company could give incentives for these referrals by offering tenants a cash bonus or some other benefit if someone they refer to the management company signs a new lease.

Word-of-mouth is also a popular technique used by medical professionals to share patients between different specialists. A doctor could suggest a particular dental practice to patients, just as that dental practice could refer patients to specialists like orthodontists and oral surgeons. This is often based on the existing professional networks of the doctors and dentists, as well as each practice's reputation.

The principles of word-of-mouth marketing are simple, so the process of using it should not attempt to be too complex. Thus, the organizations should take different steps to implement a successful word-of-mouth campaign.

Thus, the word-of-mouth marketing differs from natural word-of-mouth references to a company's products and services. The differences come as the result of a promotion, encouragement, or other influence by a company. It does not stop at the first interaction; it tends to lead to a cascade of follow-on interactions.

The characteristics of word of mouth are:

- Word-of-mouth marketing (WOM marketing) is the method of marketing where the consumers talk about a company's product or service to their friends.
- WOM marketing is one of the most powerful forms of advertising as 92% of consumers trust their friends over traditional media.
- Companies can encourage WOM marketing through exceeding expectations on a product, providing good customer service, and giving exclusive information to consumers.
- The encouragement on the part of a company may take one of several forms. The best way is to give them a reason to talk, such as exceeding expectations or providing insider skills or information about a product. Other strategies include offering consumers new ways to share information about a company's products and services, and engaging and interacting with the consumer, such as through exemplary customer service. This is especially valuable with social media-based customer service, which provides for seamless sharing and promotion.

The Word-of-Mouth marketing also has various advantages that help the marketers to promote their product to their targeted customers. Some of the advantages are:

- 92% of people around the world said they trust recommendations from friends and family (earned media) above all other forms of advertising.
- Consumers are more emotionally bonded to a company when they feel they are listened to by the company. That is why many companies will have sales representatives discuss their products and services with consumers personally or through a feedback phone line. This kind of interaction, as well as promotional events, can stimulate conversations about a company's product.
- There is a significant temptation to fabricate word-of-mouth marketing. Accordingly, the Word of Mouth Marketing Association (WOMMA) has crafted a code of ethics for the industry, the best word-of-mouth marketing strategies are "credible, social, repeatable, measurable, and respectful" and there is no excuse for dishonesty.

9.18 OPINION LEADERSHIP

Opinion leaders are people from whom the consumers look to for guidance in making purchase decisions. Opinion leaders are usually people who are more knowledgeable about a certain product or service than the average consumer. The purchase decisions are influenced by different people or groups. The consumers often seek help from the opinion leaders. Thus, opinion leaders can shape how a product is viewed. Consumers seek out the advice of knowledgeable friends or acquaintances that can provide information, give advice, or actually make the decision.

For some product categories, there are professional opinion leaders who are quite easy to identify. For instance, auto mechanics, beauticians, stock brokers, and physicians are some of the opinion leaders. All these professionals can influence the decisions consumers make within their area of expertise. Sometimes, these opinion leaders can actually be groups, known as reference groups.

For example, a local high school teacher may be an opinion leader for parents in selecting colleges for their children. Often, an opinion leader is among the first to use a new product or service, and can then pass on his or her opinions of the product to others. Opinion leaders are often trusted and unbiased and have the social network of friends, family, and co-workers necessary to disperse information.

Opinion leaders are particularly useful in marketing. If a marketer can identify key opinion leaders for a certain group, the marketers then direct their efforts towards attracting these individuals. In marketing, celebrities are often used as opinion leaders. Although they may not actually know more about a product or service, there is usually the perception that they do. Celebrity endorsements in marketing are a way to give clout to a product or service. Opinion leaders can have a profound influence on the success of a product, and on one's own consumer purchases.



9.19 LET US SUM UP

- The Social Class can be defined 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 the members of all other classes have either more or less status.
- The social class are based on class identification, class consciousness, wealth, property, income, education, occupation etc.The members of each social class have the same status, behaving in the same manner.
- The social class can be classified into Upper-Upper, Lower-Upper, Upper-middle, Lower-middle, Upper-lower, Lower-Lower.
- The consumers consume those products which are regarded as status symbols because these products confer perceived and notional benefits like increased social recognition along with high intrinsic value.
- Reference groups are the groups that consumers will look to for help in making purchasing decisions. The consumers compare themselves to or associate with the reference group before making any buying decision.
- Reference groups are divided into formal group, informal group, membership group, symbolic group and friendship group.
- There are various factors that affect the influence of the reference group. The choice of the consumer depends upon normative influence, informational influence and comparative influence.
- Social norms are implicit and explicit rules of behavior that are developed through interactions among members of a given group or society. The norms are prescriptions for how people should act in particular situations.
- The family life cycle is a series of stages through which a family may pass over time. The family life cycles focused on shopping styles, information use and decision making differences by a person in the different stages of his life.
- The various stages of family life cycle influence the customer buying behaviour. These are bachelor stage, the newly married couples, families with young children,families with adolescents, empty nest, the solitary

survivor

- Consumer socialization is the process by which young people acquire skills, knowledge and attitudes relevant to their functioning as consumers in the marketplace. The consumer socialisation is a subdivision of consumer behaviour as its main focus is on how childhood and adolescent experiences affect future consumer behaviour.
- Word of mouth (WOM) is product information that individuals transmit to other individuals. Also referred as "WOMM" or "word-of-mouth advertising. WOM marketing includes buzz, viral, blog, emotional, and social media marketing.
- Opinion leaders are people from whom the consumers look to for guidance in making purchase decisions. Opinion leaders are usually people who are more knowledgeable about a certain product or service than the average consumer.
- A status symbol is generally an object that means to signify its owners' high social and economic standing.
- Reference groups are groups that consumers compare themselves to or associate with. They can heavily influence purchasing patterns.Friends, clubs, religious groups, and celebrities can all act as reference groups.
- If a reference group endorses a product, either through use or statements about the product, those that look to the group will often purchase that product.
- Opinion leaders are those who influence others. Celebrities are often used as opinion leaders in promoting a product.
- Finding opinion leaders can be vital to the success of a marketing plan, as they can then influence others to purchase the product or service.



9.20 FURTHER READING

1) Marketing Management by Philip Kotler
2) Consumer Behaviour by Leon G. Schiffman, Joseph Wisenblit and S. Ramesh Kumar

9.21 ANSWERS TO CHECK YOUR PROGRESS

Ans to Q No 1:

- The members of each class have relatively the same status
- Persons within a given class tend to behave alike/same
- Social class is hierarchical
- Social class is measured by a combination of variables
- Social class is mobile
- Social class and status differentiation

Ans to Q No 2: The membership group is that group in which a person has to either belongs or qualify for membership. The members either informally or formally accept the membership of any particular group. For eg.: social clubs, social networking circles, the rotary club etc.

9.22 MODEL QUESTIONS

Q 1: Define social class. Discuss the nature of social class.

Q 2: Explain the social class categories.

Q 3: Explain the influence of money and other status symbol in the buying behaviour of the consumer.

Q 4: What do you mean by group influence? What are its sources and describe the types of reference group.

Q 5: Describe the characteristics of reference group.

Q 6: Discuss how the reference group influence in the buying behaviour process

Q 7: What are the stages of family life cycle? Explain the stages.

Q 8: Describe the influence of husband-wife in the buying behaviour process.

Q 9: Discuss how the child influence the buying behaviour

Q 10: Write short notes on:

- Word of mouth communication
- Opinion Leadership

Q 11: Discuss the importance of opinion leaders in marketing and how they can influence the success of a product or service

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UNIT 10: DIFFUSION OF INNOVATION

UNIT STRUCTURE

10.1 Learning Objectives

10.2 Introduction

10.3 Meaning of Diffusion

10.4 Innovation

10.5 Classification of Innovations

10.6 Definitions of Diffusion

10.7 Elements of Diffusion Process

10.8 Diffusion of Innovation Theory

10.9 Factors Affecting Diffusion of Innovation

10.10 Barriers to the Diffusion of Innovation

10.11 Adoption Process

10.12 Culture and Diffusion of Innovations

10.13 Communication and Diffusion

10.14 Let Us Sum Up

10.15 Further Reading

10.16 Answers to Check Your Progress

10.17 Model Questions

10.1 LEARNING OBJECTIVES

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

- state the meaning diffusion and innovation
- describe the classification of innovations
- interpretelements of diffusion process
- enumerate the Diffusion and Innovation Theory
- explain the factors affecting diffusion of innovation
- discuss the various barriers of diffusion of innovation
- discuss the adoption and diffusion processes
- enumerate the relationship between culture and diffusion and communication and diffusion.

10.2 INTRODUCTION

Innovation can happen anywhere, whether it is a profit-driven or non-profit organization. It can affect the performance of the organization itself, i.e. the product or service, but also the structures of how the service is provided. Facing with a dynamically changing environment, marketers are always with regard to new product development. This could result in modification ranging from slight to moderate to large or the continuum, or even result in totally new product and service offerings. However, there will be two questions that faces by a marketer that whether the new product and service offering would be accepted and how quickly accepted by the segment would. While the first pertains to what is referred to as diffusion, the second pertains to what is known as adoption. This unit discusses about all aspects of diffusion of innovation.

10.3 MEANING OF DIFFUSION

E.M. Rogers, a professor of rural sociology, popularized the theory of 'Diffusion and Innovation' in his book Diffusion of Innovations published in 1962. Rogers argues that diffusion is the process by which an innovation is communicated over time among the participants in a social system. Rogers proposes that four main elements influence the spread of a new idea: the innovation itself, communication channels, time and a social system. This process relies heavily on human capital. The innovation must be widely adopted in order to self-sustain. Within the rate of adoption, there is a point at which an innovation reaches critical mass.

Two issues are dealt with within the purview of 'Diffusion of Innovation'.'Diffusion' is regarded as a macro process that deals with the spread of a new product or service offering amongst the potential market; it relates to the acceptance/rejection of an innovation by the segment(s). 'Adoption', on the other hand is a micro concept that lays emphasis on the various phases or stages through an individual consumer passes while accepting/rejecting a new product or service offering.

Diffusion is the process by which a new idea or new product is accepted by the market. Diffusion is a measure of the rate of adoption of a new innovation.The rate of diffusion is the speed with which the new idea spreads from one consumer to the next. Diffusion is the process by which innovations (new products, new processes or new management methods) spread within and across economies. It is the manner in which an innovative technology spreads across a market group by group according to the readiness of each group to adopt it.

10.4 INNOVATION

In a highly competitive environment, where number of players exist and compete for a share of the market, the introduction of new product and service offerings becomes crucial for existence and long term survival; thus, marketers are always on the move towards introduction of new product and service offerings that would help meet the evolving needs and wants of the consumer segment(s). The products that are offered may be slightly different from the existing alternatives, some may be highly different, and some totally new. They all fall under the purview of what is referred to as an 'innovation', and the product and services, referred to as 'innovative products and services'. Wherever they fall on a range, they illustrate a change in one of few or all of the 4Ps -product form, price, place and promotion. Whatever are the changes that a marketer offers, it is the changing needs and desires amongst the consumers that the former attempts to address; and, so it is important for him to understand how the segment(s) would react to such a product and service offering.

The term 'innovation' has been described with varying perspectives and orientations, viz., firm-oriented, product-oriented, market-oriented, and consumer-oriented. Let us discuss each one of these:

- **Firm-oriented:** As per this approach, a product or service offering is regarded as 'new', if the company starts manufacturing or marketing it for the first time. In other words, the firm orientation treats the 'newness' in terms of the company's perspective.

- Ø the product is 'innovative', if it is 'new' for the company.
- Ø the existence of the product in the market is disregarded; as long as it is 'new' to the company, it is regarded as an innovation.

- **Product-oriented:** A product and service offering is regarded as an 'innovation', if the product changes in terms of form, attributes, features, and overall benefits; such changes have a twofold connotation, one, in terms of technology, and two, in terms of consumption usage and behavioral patterns.
  - Ø the product is 'innovative', if it is 'new' in terms of form, attributes and features.
  - Ø there are changes in technology, as well as impact on consumer consumption behavior.
- **Market-oriented:** The market-oriented approach views 'innovation' purely from a marketers' perspective, in the sense that a product is regarded as 'new', depending on how much exposure the consumers' have about the new product or service offering, and the total sales penetration that has occurred in the specified short period of time.
  - Ø The product is regarded 'new' if the market does not have much exposure of it.
  - Ø Sales penetration has been low.

  Here again, there can be two bases that underlie a market-oriented definition; viz.,
  - Ø A product or service offering is regarded as 'new', if it has been in the market for a short period of time.
  - Ø It is 'new', if it has been purchased/used/consumed by a small portion of the total potential market.
- **Consumer-oriented:** The consumer-oriented approach to defining 'innovation', is a favored approach over others, especially in consumer behavior research, and more specifically in research related to diffusion of innovation, and adoption; the reason is that the concept of 'newness' or 'innovation' is dealt through focus on consumer, and his/her reaction towards the new product and service offering, in terms of acceptance and rejection. As per this approach, 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.

10.5 CLASSIFICATION OF INNOVATIONS

Based on varying perspectives and orientations, new products have been variously classified. The most commonly used classification has been proposed by Thomas S. Robertson. Based on the two dimensions, technological and behavioral, Robertson has classified the new products and innovations into three categories, viz., continuous innovations, dynamically continuous innovations, and discontinuous innovations.

- **Continuous Innovations:** A continuous innovation is one that entails modification over an existing product; it is illustrative of little technological change, but requires no behavioral change on the part of the consumer for product usage, consumption and resultant experiences.
  - The technology used to manufacture the new product is not different from the one that produced the original or already existing product; and, the consumer does not have to adopt a new purchase, usage and consumption pattern to use it.
  - Example: all line extensions, or product variants (new form, size, flavor etc.); For example, various flavors of Amul Chocolate are line extensions of the original Amul Milk Chocolate.
  - Other examples: laser printers replacing earlier versions; a change from VCDs to DVDs was illustrative of better technology, better picture quality.
- **Dynamically Continuous Innovations:** An innovation is regarded as dynamically continuous, when it includes some technological change in the product, but requires no behavioral change on the part of the consumer for product usage, consumption and resultant experiences.
  - The technological change is brought either to increase efficiency, or provide greater value to the consumer.
  - Example: the walkman giving way to the portable CD player, or the

semi-automatic washing machine giving way to the fully automatic one.

- **Discontinuous Innovations:** On a continuum, they fall as most radical; they are truly 'innovative' in the sense that they are technologically superior, and also require considerable behavioral change within consumers with respect to purchase and usage patterns.
  - Ø The technology used to manufacture the new product is different from the one that produced the original or already existing product; and, the consumer has to adopt a new purchase, usage and consumption pattern to use it.
  - Ø Example, the telephone giving way to the mobile phone, or the 3G and GPRS providing email access while on move as against email access on the computer/laptop.

GeneralClassifications of Innovation:

- **Product Innovation:** Products concern both material products and intangible services such as services that meet customer needs and are thus acquired by the customer. With product innovations, a company earns its money and tries to differentiate itself from the competition.
- **Service Innovation:** service innovations are like product innovations when it comes to selling them directly to the customer, e. g. insurance or management consultancy. Even if services are not actively sold, as in the case of manufacturing companies, each company still provides services to its customers, for example in logistics, complaints, sales advice, etc., even if they are not actively sold. This is also where innovation comes in when it comes to differentiation and customer enthusiasm.
- **Business Model Innovation:** The business model is the way a company functions and earns money. The business model innovation encompasses innovations in strategy, marketing, supply chains, value creation, pricing or cost structures.
- **Process and Technology Innovation:** As the name implies, these are technological innovations, such as the creation of products and services. In principle, they are also process innovations. These include,

for example, production processes or IT technologies for apps. Product innovations, quality improvements or cost savings often go hand in hand with process and technology innovations.

- **Organizational Innovation:** Organizational innovations affect the process and organizational structure. These can be organizational process innovations or management innovations, e. g. new tools for measuring customer satisfaction or optimizing delivery processes to reduce costs.
- **Social Innovation:** Social innovations are innovations where the benefit lies with society and the purpose is not primarily profit. Examples include innovation in education, poverty reduction, equal opportunities and health.
- **Environmental Innovation:** All innovations that contribute to improving the environment are environmental innovations. This concerns for example environmentally friendly products, contributions to environmental protection or the avoidance of emissions.

Remarkable Innovations Types in Practice:

- **Incremental Innovation:** Incremental innovation seeks to improve the systems that already exist, making them better, faster cheaper.
- **Process Innovation:** Process innovation means the implementation of a new or significantly improved production or delivery method.
- **Red Ocean Innovation:** Red Oceans refer to the known market space, i.e. all the industries in existence today. In red oceans, industry boundaries are defined and accepted, and the competitive rules of the game are known. Companies try to outperform their rivals to grab a greater share of existing demand usually through marginal changes in offering level and price. As the market space gets crowded, prospects for profits and growth are reduced. Products become commodities, and cutthroat competition turns the red ocean bloody.
- **Service Innovation:** Service Innovation can be defined as "a new or considerably changed service concept, client interaction channel, service delivery system or technological concept that individually, but most likely in combination, leads to one or more (re)new(ed) service functions that are new to the firm.

- **Business Model Innovation:** Business Model Innovation (BMI) refers to the creation, or reinvention, of a business itself. Whereas innovation is more typically seen in the form of a new product or service offering, a business model innovation results in an entirely different type of company that competes not only on the value proposition of its offerings, but aligns its profit formula, resources and processes to enhance that value proposition, capture new market segments and alienate competitors.
- **Sustainable Innovation:** Eco-innovation is a term used to describe products and processes that contribute to sustainable development
- **Frugal Innovation:** Frugal Innovation is about doing more with less. Entrepreneurs and innovators in emerging markets have to devise low cost strategies to either tap or circumvent institutional complexities and resource limitations to innovate, develop and deliver products and services to low income users with little purchasing power.
- **Blue Ocean Innovation:** Blue Oceans represent the unknown market space, i.e. all the industries not in existence today. Blue oceans are defined by untapped market space, demand creation, and the opportunity for highly profitable growth. In blue oceans, competition is irrelevant because the rules of the game are not set. Blue oceans can be created by expanding existing industry boundaries or by reconstructing industry boundaries.
- **Radical Innovation:** Radical innovations provide something new to the world that we live in by uprooting industry conventions and by significantly changing customer expectations in a positive way. Ultimately, they often end up replacing existing methods / technologies.
- **Open Source Innovation / CrowdSourcing:** In production and development, open source is a philosophy or pragmatic methodology that promotes free redistribution and access to an end product's design and implementation details
- **Experience Innovation:** Companies that try to create holistic experiences by emotionally engaging their consumers.
- **Disruptive Innovation:** A disruptive innovation is an innovation that helps create a new market and value network, and eventually goes on

to disrupt an existing market and value network (over a few years or decades), displacing an earlier technology.

- **User Led Innovations:** The user is king. It's a phrase that's repeated over and over again as a mantra. Companies must become user-centric. But there's a problem. It doesn't work. Here's the truth. Great brands lead users, not the other way around.
- **Supply Chain Innovation:** Supply chain innovation is about applying best practices and technological innovations to your own supply chain in order to reduce such cycle and wait times and other waste in your in-house processes.

10.6 DEFINITIONS OF DIFFUSION

'Diffusion' is defined as a macro process that deals with the spread of a new product or service offering amongst the potential market; it relates to the acceptance/rejection of an innovation by the segment(s). 'Diffusion of Innovation' is defined as a process by which an innovation spreads amongst and gets the absorbed/accepted or assimilated by the market.

Schiffman defines 'diffusion', as "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, salespeople, or informal conversations) to members of a social system (a target market) over a period of time".

10.7 ELEMENTS OF DIFFUSION PROCESS

The definition comprises four basic elements of the diffusion process:

- **Innovation:** The term innovation refers to the newness of the product/ service offering.
- **Channels of Communication:** This includes-
  - Marketing communication that takes place between the marketer and the potential market, or the target segment; it could be personal (salesperson and consumer) or impersonal (via print or audio visual

media).

- Ø Interpersonal communication that takes place between the consumers themselves or within members of the target segment(s); it could be word of mouth communication within consumers or through an opinion leader.

- **SocialSystem:** This refers to the social setting in which the diffusion takes place; it actually refers to the market segment(s) or the target market(s). The definition and scope of the social system depends on the product and service in question, its usefulness and its very basis for existence. In a way, it reflects the target market(s) for whom the product and service is designed, and within what segment(s), it would be diffused. For example, for a new herbal anti-wrinkle cream, the social system would be confined to ladies who are in their late 40s. The social system has wide repercussions on the diffusion of a product/service:
  - Ø First, the new product and service is discussed and or evaluated within members of the social system through interpersonal communication, opinion leadership and word-of-mouth.
  - Ø Second, the philosophy and the resultant orientation, with respect to culture, traditions, values and norms also impact the diffusion process. Thus, the social system impacts the ultimate adoption and assimilation of the innovative offering; in order to be accepted quickly and penetrate successfully, the marketer needs to keep this social system in mind and design his product and the marketing mix accordingly.
- **Time Factor:** Time is an important factor in the diffusion of innovation, as it determines the pace of adoption and resultant assimilation of the innovative offering; researchers have studied the impact of time in the following ways:
  - Ø **The amount of purchase time:** The amount of purchase time refers to the average time that a consumer would take to adopt a new product and service offering; this would include the total time between the consumers' initial awareness to the final acceptance/rejection of the new product or service. Time as a factor has relevance for

the diffusion process in the sense that it helps assess the total time that it would take for a new product or service offering to get totally diffused and adopted by the market at large; when the average purchase time is less, it can be assumed that the rate of diffusion would be faster.

- Ø The rate of adoption and the identification of adopter categories:

- **Rate of adoption:** The rate of adoption refers to the period that it is taken for a new product or service to be accepted by the target market(s). It is a measure of how long it takes a new product or service offering to be adopted by the members of the target market.

  With global advances in all respects, be it socio-economic, political, cultural and technological, the rate of adoption is getting faster. The marketer also aims at a rapid acceptance of his innovative offering, so that he can gain maximum advantage as a first-mover; thus he designs his marketing mix as per the needs of the segment(s), across international cultures and communities.

- **Adopter categories:** This refers to a classification scheme amongst members' of the target segment(s), which illustrates where one consumer stands in relation to another consumer with respect to time, that has lapsed between the introduction of the new product and service and the adoption by a consumer(s). Researchers have classified consumers into adopter and non-adopter categories, which range from two or three or five category classifications. It is noteworthy that the consumers would be classified based on the nature of the good or service.

10.8 DIFFUSION OF INNOVATION (DOI) 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 a new idea, behavior, or product (innovation) 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. When promoting an innovation to a target population, it is important to understand the characteristics of the target population that will help or hinder adoption of the innovation. There are five established adopter categories, and while the majority of the general population tends to fall in the middle categories, it is still necessary to understand the characteristics of the target population. When promoting an innovation, there are different strategies used to appeal to the different adopter categories.

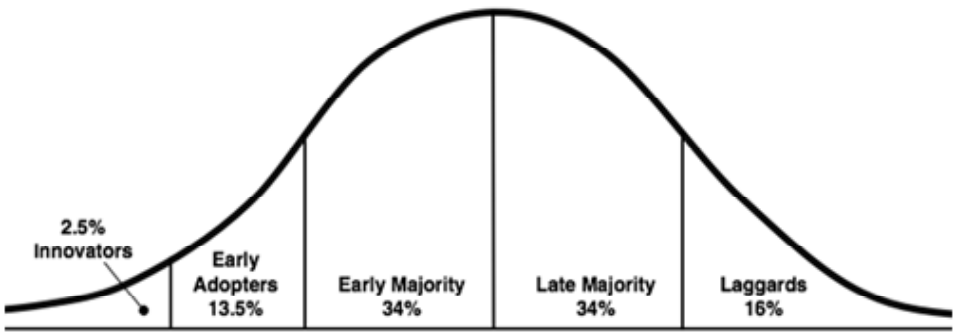
This theory has been used successfully in many fields including communication, agriculture, public health, criminal justice, social work, and marketing. In public health, Diffusion of Innovation Theory is used to accelerate the adoption of important public health programs that typically aim to change the behavior of a social system. For example, an intervention to address a public health problem is developed, and the intervention is promoted to people in a social system with the goal of adoption. The most successful adoption of a public health program results from understanding the target population and the factors influencing their rate of adoption.

Diffusion of innovations theory is a hypothesis outlining how new technological and other advancements spread throughout societies and cultures, from introduction to wider-adoption. The diffusion of innovations theory seeks to explain how and why new ideas and practices are adopted, with timelines potentially spread out over long periods.This model helps a business to understand how a buyer adopts and engages with new products or technologies over time. Companies will use it when launching a new

product or service, adapting it or introducing an existing product into a new market.It shows how the product can be adopted by five different categories/ customer types and how to engage as a business with these types of people.

Classification of Adopters

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.



Source: Diffusion and Innovation, E. M. Rogers (2003)

The five categories are explained as follows:

- **Innovators:** Innovators comprise 2.5 percent of the target market(s) adopters; they are those consumers' who are the first to go and purchase a new product or service offering. They purchase the new product and service offering not because they possess a need, but because they desire new ideas and concepts, and seek product and service innovations. They are high on self-confidence, and are always eager to try out new products/services. They have access to information about such new offerings, and are quick to purchase; one, because they have the interest and inclination to buy the 'new'; and two, because they have the purchasing power and the access. It is important to mention here, that innovators are not 'generic'; they are in most cases 'specific' to a product and service type.
- **Early adopters:** The next 13.5 percent of the target market(s) adopters are called early adopters. These are those consumers' who purchase

the new product and service offering not because they are fascinated towards the 'new', but because they possess a need. They generally tend to have some idea on the product/service category, and after gathering some more information about the product and or brand, they go in for purchase. Early adopters rely on group norms and also turn out to be good opinion leaders, and could be easy targets for the marketer.

- **Early majority:** The early majority is similar to the early adopter in the sense that they buy the product/service offering because they possess a need and wants to fulfill it; however, they are not as quick as the early adopters and take longer to enter into purchase. This is because unlike the earlier two categories, the early majority does not have much interest in the product/service category. Thus, the consumers that fall into this category have to collect information, evaluate it, deliberate carefully and then take a decision; thus, the process takes longer. The early majority make up the next 34 percent of the adopters.
- **Late majority:** The next 34 percent of the adopters are referred to as the late majority. They are referred to as 'late', because-
  - Members of their social class, reference group and peer group have already made the purchase; and the social influence is strong, and
  - They themselves have evaluated the new product and or service and are ready to buy it. They have a need, and after careful thought and deliberation as well as with social influence and pressure, the 'late majority' makes the purchase. By nature they are skeptical and confirm to social pressure. Interpersonal communication has a major role to play.
- **Laggards:** The laggards are the last to adopt a new product or service offering, and as such make up the last 16 percent of the target market. They are slow in buying the innovative offering because,
  - They are uninvolved with the product and service;
  - They do not possess much information;
  - They remain uninfluenced by social pressure, and social ties are not very strong;

- They believe in making routine purchases and prefer to buy the 'familiar', than the 'unfamiliar'.

Roger's classification only includes the adopters; there also exist in the market a group of people who do not venture out into seeking a particular product or service, as it may not confirm to their culture, socio-economic class or they may not have the need for such a product/ service. Such people fall into a class referred to as the non-adopters; a class that never adopts the new product/service, and in general comprises a very small portion of the entire population. Non-adopters may be classified into five categories, viz., the unaware group, symbolic rejecters, symbolic adopters, trail adopters and trial rejecters. The inclusion and study of the non-adopter category is crucial as it is reflective of reality, as not all consumers adopt all new product and service offerings.

- **UnawareGroup:** The non-adopters who are unaware about the new product or service offering.
- **SymbolicRejecters:** Those among the non-adopters who are aware of the product but feel that it is not meant for them because it does not meet a need or does not conform to socio-economic cultural norms.
- **SymbolicAdopters:** The symbolic adopters are aware of the innovative offering, and believe that the product or service may be of relevance for them, but they are yet to try the innovative offering.
- **TrailAdopters:** Such non-adopters have tried the innovative offering, but have not yet made a purchase; if they have made a trial purchase, they have yet not made a repurchase to confirm liking or habit formation.
- **Trial Rejecters:** Trial rejecters are those non-adopters who have tried the new product or service, but have not found it suitable; they have no intention in further purchase or repurchase.

10.9 FACTORS AFFECTING DIFFUSION OF INNOVATION

The diffusion of innovation and an adoption as a process is not

generic; it varies from product to product and or service to service. Some product or service offerings gain quick acceptance, and the diffusion is fast and rapid; for other products and services, the process may be slow and take considerable amount of time. For example, the colour TVs in India took a long time to get diffused, but for the satellite TV, the rate of diffusion was very fast. Also, the cordless telephone took a long time to get diffused into Indian homes, but the cell phone got readily accepted by all and diffusion was very fast. Thus, all products or services that are "new", do not possess the same ease and potential for consumer acceptance.

Diffusion of innovation and subsequent adoption is impacted by socio-economic, cultural, technological as well as legal factors; it is also impacted by individual determinants like psychological variables and demographics; these are all forces are in most cases "uncontrollable" by the marketer. There are also the more relevant forces, related to the innovative product and /or service which constitute what is called the 'controllables', and which are in the hands of the marketer; these could be in the form of marketing communication or interpersonal communication etc and could be used by the marketer in a manner that facilitate quicker and easier acceptance of the innovative offering. Apart from these, there are also certain characteristics that an innovation possesses that can impact the diffusion and adoption process. Researchers have identified certain factors that can act as triggers and some that can act as barriers to the diffusion and adoption process.

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

- **Relative Advantage:** The relative advantage of the innovative product/ service offering over already existing products/services accelerates its rate of adoption by the target market. The degree to which customers perceive a new product/service as superior to similar existing products determines the relative advantage. A product/service that provides

advantage over other existing products is indicative of being superior to existing alternatives, and thus higher in terms of 'value'. The more radical a change, and the higher the relative advantage, the faster would be the diffusion. The relative advantage may lie in terms of it being a modified product (with better features, attributes, benefits, form etc), or at a lower price (better deals, discounts, terms of payment, warranty and exchange), or more accessible in terms of availability (physical store format, or virtual electronic format), or better communication. Thus, while product-based advantages are more attractive in nature, the other components of the marketing mix like price, place and promotion can also provide a basis for relative advantage. Examples of innovations that provide relative advantage are flash drives versus compact discs, laptops versus computers, or digital libraries versus traditional libraries, ATMs versus bank teller counters.

- **Compatibility:** The compatibility of the innovative product and service offering with the existing backgrounds, behavior and lifestyle patterns of consumers also affects its adoption by the consuming public. The compatibility of a product/service measures how closely it relates to needs, value systems and norms, lifestyles, culture etc. The higher the level of compatibility, the quicker the diffusion; and the lower the compatibility, the slower the diffusion. A product will diffuse more quickly if it does not require consumers to change their values, norms, lifestyles, cultures and day to day behaviors. Continuous and dynamically continuous innovations are higher on compatibility than discontinuous innovations. Fast food in the form of pizzas, burgers, noodles etc. took considerable amount of time to get diffused into the Indian society, as it contrasted heavily with the dal-roti meal concept. The pace of adoption quickened in the 1990s and more so in the 2000s with the new generation, and their preference towards packaged foods and fast food. Another example that can be mentioned here is coconut oil as a medium of cooking would be incompatible to people staying in North India. Even if positioned as 'healthy and natural cooking medium', it would be slow to penetrate and may even fail if launched in North India. The same

would penetrate easily in South India, as it is culturally more compatible.

- **Complexity:** The level of complexity in a product purchase and usage also affects the diffusion process. An innovative offering would be easily diffused when there is ease of understanding, purchase and use. The easier it is to understand and use a product, the more likely it is to be accepted quickly, and vice versa.

  While speaking of complexity, technological complexity acts as a barrier to diffusion. People resist adoption of new products because of fear of complexity in purchase and usage. This is well understood by high tech industries. Let us take the example of the electronic goods industry, e.g. microwave ovens or vacuum cleaners. While designing their communication, the marketer illustrates ease of use, so as to encourage quicker acceptance; prospects are provided with demos and trials; once purchased, arrangements are made for providing installation at home. Another example is the mobile phone industry; realizing the problem of complexity, simpler models are introduced for those who desire the mobile set just for making and receiving calls and SMSs.

  It would be noteworthy to mention here that the youth are more techno savvy and have accepted electronic goods like MP3s and 4s, laptops, I-pods, ATMs etc much faster than the older generation. This is because the former have been able to deal with the complexity with a higher level of comfort than the older generation.

- **Trialability:** The ease with which the product or service can be tested and tried also determines the rate of acceptance. The higher the degree of trialability, the greater would be the rate of diffusion. This is because the prospects get an opportunity to try the product/service, assess it and decide to accept/reject it. Trialability can be encouraged by providing free samples, or providing smaller packs and smaller-than-average sizes, or even through demos and test runs (for consumer durables). Consumers could try out the innovative offering, evaluate it and then decide on a purchase commitment by accepting/rejecting it. Trials leading to purchase can be encouraged through guaranty and warranty

schemes. Such trials encourage a product/service to be diffused easily.

- **Observability:** Observability refers to the ease with which the product can be observed. Observability in an innovative product refers to the degree to which a product/service's benefits can be observed, imagined and perceived by a potential 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 are readily observed (without much time gap), are more readily diffused than those that are intangible, or have no social visibility or whose benefits accumulate over long periods of time.

Thus, relative advantage, compatibility, complexity, trialability, and observability have an impact on the rate of diffusion. While all these factors relate to the product, they are dependent on consumer perception. A product/service offering that is relatively superior to existing ones, is more compatible to existing consumption behavior and usage, is less complex, easy to use and observable, and is more likely to be purchased quickly by the public, than when it is not.

10.10 BARRIERS TO THE DIFFUSION OF INNOVATION

There are also certain factors that negatively affect diffusion of innovation and subsequently the adoption process. These barriers have been dealt with extensively by consumer researchers and incorporated even in models on innovation resistance. They could range at the micro level from product characteristics, to the more macro, socio-cultural, economic, situational and technological forces.

While product characteristics like relative advantage, compatibility, trialability, and observability, do boost the rate of diffusion and adoption, perceived complexity in purchase and usage of innovative offerings, retard the process. Innovations could also meet resistance from socio-cultural, economic, situational and technological forces. The innovative offering may not with compatible with social norms, values and lifestyle; or may not go

well with the economic strata; or be technologically complex, leading to fear to usage, obsolescence and risk. The basic barriers to the diffusion process and subsequent adoption are as usage, value, risk and psychological factors.

- **Usage:** 'Usage' as a barrier to innovation diffusion and adoption is said to exist when the social system (the target market) finds it incompatible to the existing usage and consumption behaviors and thus, finds it difficult to accept and use; in other words, they find it to be incompatible with their existing behaviors. The barrier is more psychological, based on deep rooted values, beliefs, attitudes and perception, resultant in such behavior of non-acceptance and non-usage. For example, people are often reluctant to enter into online monetary transactions for fear of loss of privacy and fraud.

  Communication from the marketer based on rational and informational may not be sufficient to overcome such a barrier; he would need to use credible spokespersons, celebrities and experts to motivate people to change their existing lifestyle patterns and resultant behavior, and adopt the innovation.

- **Value:** Consumers could also resist acceptance of an innovation, as they may feel low about the perceived value; consumers may perceive the new product/service offering to be the same as existing offerings, and 'nothing new' or 'better in value'. For example, while assessing mobile charges, people compare the post-paid plans with the pre-paid plans in terms of rental as well as call charges, and conclude that the former are cheaper, in spite of rental being high.

  The perceived lack of value may be i) the product/service does not provide much benefit over the existing alternatives; ii) the product/service is costly, and doesn't seem to be of worth the price.

  Consumers' perception of 'high price' always takes over the perception over product value or product benefit; in fact, values is always assessed in terms of price; Also, price is a 'catchy' issue than the benefits attached; price appears more tangible, than benefits; and, consumers generally tend to know more quickly about price, than they do about the

benefits that the product brings along with it.

- **Risk:** Risk also acts as a barrier to diffusion of innovation. Consumers show reluctance to use an innovative product/service offering out of fear of taking risks. There could be six types of risks that a consumer could face, viz., functional risk (would the product perform as expected), physical risk (would the product usage and or consumption pose a threat), social risk (would it cause risk of social embarrassment), financial risk (would the product will be worth the cost), psychological risk (would the innovation hurt consumers' ego), and time risk (would it lead to wastage of time spent while making the purchase).

  The perceived risk barrier acts as a big barrier to the diffusion and adoption process; consumers are fearful of purchase, usage and consumption of innovative offerings, and thereby continue to patronize the existing alternatives, rather than adopt new ones (for fear of making a wrong decision).

  In order to overcome this problem, the marketers could make use of both marketing communication (via audio-visual or print media, or company salespersons) as well as interpersonal communication (opinion leadership, word-of-mouth communication). Trials (free or discounted) as well as interpersonal communication with peers, colleagues and friends can also encourage personal experience by the consumer and help overcome this risk.

- **Psychological factors:** Psychological factors also prevent a consumer from adopting a new product/service offering. These factors relate to a person's background, attitude and belief, perception, values, lifestyles, culture etc. They may find the innovation to be psychologically threatening. The two common threats are i) tradition barrier, and ii) image barrier.

  Tradition barrier relates to socio-culturally accepted norms of behavior that are regarded as 'right and appropriate', by the consumer segment. Anything that is new and does not support traditional patterns is regarded as psychologically threatening; this includes usage and adoption of innovative products and services. For example, wearing

western outfits is a taboo for women in the Middle East, and as such they would never attempt to wear skirts or trousers. Another example, Kelloggs Cornflakes, found it difficult to penetrate the Indian soil, primarily because it was positioned as a quick breakfast cereal to be had in cold milk, as opposed to the traditional Indian concept of cornflakes or cereal in hot milk.

Image barrier refers to the consumer's attitude and feelings about the product/service offering, the brand, or the dealer, or even the country of origin. It also relates to personality and self image (actual and ideal). Consumers' may resist adoption of new products/services if they are patriotic and ethnocentric; or if they do not regard the innovation or the marketer/dealer to be of their 'class' in terms of socio-economic status or even quality. Thus, marketers try to come up with variants in offerings, and have separate names for separate variants depending upon the segment(s) for which they are aimed.

10.11 ADOPTION PROCESS

The second major process in Diffusion of Innovation is 'Adoption'. Adoption is a micro concept that lays emphasis on the various phases or stages through an individual consumer passes while accepting/rejecting a new product or service offering. The study of adoption is important for a marketer in the sense that it helps him understand the various stages through which a consumer passes right from his initial awareness to the final acceptance/rejection. It may so happen that the innovative offering may exist for long in the market, but the consumer is unaware of it; or, it may have existed in the market for long, but is regarded as 'new' because the consumer has heard of it for the first time. This implies that consumers could differ in the manner they complete their purchase activity, right from initial awareness to the final act of purchase. This could mean that the marketer needs to design his selling strategy accordingly.

Schiffman defines adoption as "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".

Consumer researchers have proposed a number of models to describe the steps in the adoption process, viz., Heirarchy of Effects' Model, Robertson's model, and Roger's model. The models explain the stages through which a prospect passes to end up being a consumer, right from the stage of initial awareness to final adoption.

Generally speaking, the consumer passes through five stages of adoption, viz., awareness, interest, evaluation, trial, and adoption (or rejection). The assumption underlying this general model of adoption is that when a new product/service is introduced, prospects go through an information search which could range between limited to extensive; of course, for some products this search is highly limited (routine purchases). The five stages are explained below:

- **Awareness:** This is the first stage in the adoption process, where the consumer is exposed to the new product/service offering, and gets to know of the product. The marketers' objective here is to provide some awareness about the innovation, the features and benefits as also the brand. The consumer is generally passive and acts as a mere recipient of information. He becomes aware but lacks sufficient knowledge about the new offering.
- **Interest:** In this next stage, the consumer begins to develop some interest in the innovative offering, and thereby puts in some effort to know more about it. The consumer becomes active in his search for information and tries to elaborate on the information received at the awareness stage. He actively searches for information about the new product / service and tries to assess how it can benefit him.
- **Evaluation:** The consumer who has acquired knowledge about the innovation, now begins to evaluate; he evaluates whether, i) more information search is necessary with respect to the innovation as well as to the brand; ii) he is sufficient with the product/service information that he possesses. The consumer also evaluates the innovative offering in terms of the attributes, features, and overall benefits, as compared to existing alternatives; he assesses the 'value' of the product/service

offering and the brand. If he feels that the offering provides 'value', he goes in for the next stage which is trial; else the process is aborted, and the innovation rejected.

- **Trial:** The consumer goes and tries out the innovative offering, but there is not yet any further purchase (repurchase) commitment. The product/ service is experienced on a small scale and used on a limited basis only, to determine the worth or usefulness.
- **Adoption (Rejection):** Based on the trial stage, and the resultant experience, the consumer would decide to decision to use/reuse/ patronize the offering. If the experience is satisfying, and the evaluation favorable, the innovative offering would be accepted, else it would be rejected.

10.12 CULTURE AND DIFFUSION OF INNOVATIONS

The relationship between culture and diffusion and adoption of innovations is two-fold. In fact the relationship existing between culture and innovation is a deeply interactive one. The consequences of the acceptance of an innovation can be such that some aspects of the cultural system in which the innovation takes place, may be affected. In such cases, a cultural change movement is generated. The innovation contributes to the development of a cultural system rather than being affected by it.

In order to understand the impact of culture upon diffusion, it is first necessary to realize that the diffusion of an innovation never operates in a vacuum but within the boundaries of a social system, the precise nature of this social system depending upon the type of innovation being considered. It is also possible to think of the social system in terms of age, income, social class or any other criteria of market segmentation.

Rogers categorised the determinants in five categories, based on research up to 2003. Based on the findings of this study and the other studies it appears meaningful to add a sixth category i.e. culture. With this addition, it is likely that we can get more precise insight into what determines the rate of adoption of an innovation.

The word 'culture' has different meanings in different contexts. Often a specifying word is put in front of 'culture' to identify a specific type of culture, for instance, national culture, community culture, or company culture. The early diffusion of innovation research appears to have focused mainly on community culture. This may have to do with the fact that most studies in early diffusion research took place at a community or village level. As presented by Rogers, norms and network interconnectedness are two aspects of variable nature of the social system. Culture may be related to the social system and, indeed, to the other variables as well. National culture is not explicitly included in Roger's overview of variables that determine the rate of adoption of an innovation.

Individualistic cultures are those in which the individual's goals take precedence over the collectivity's goals. Collectivistic cultures are those in which the collectivity's goals take precedence over those of the individual. Each type of culture may have different influence on the adoptive process.In a collective culture, the innovation-decision process may be based on what the community as a whole decides or what community elders decide, whereas in an individualistic culture, the innovation-decision is based on the individual's decision. This attests to the influence of culture on the adoptive process. Here, norms, values, beliefs, and attitudes are considered cultural variables that not only can be part of a community culture but also can be part of a national culture.

10.13 COMMUNICATION AND DIFFUSION

Communication and diffusion are interdependent. Communication is the interchange of ideas between two persons, in such a way that they act on the existing knowledge to achieve some useful results. The transfer of message through suitable medium performs the communication. Diffusion is the process by which an innovation is communicated through certain channels overtime among the members of a social system. In other words, diffusion is the communication process through which an innovation travels or spreads through certain channels from a person, an organization,

or any unit of adoption to another within a social system over time.

Adoption of an innovation is the decision (i.e., acceptance or rejection) and the subsequent implementation, discontinuance, and/or modification by an individual or an organization. Therefore, adoption is an individual or organizational process that leads to diffusion as a systemic process.The diffusion of an innovation is the spread of a product, process, or idea perceived as new, through communication channels, among the members of a social system over time. Innovations can be a new product or output, a new process or way of doing something, or a new idea or concept.

Communication channels play an important role in diffusion. 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. Mediated communication and interpersonal communication play complementary, but different roles. Electronic mass media channels such as television and radio are useful for raising awareness about the innovation, but cannot provide much detail. They can provide images and brand name identification, helping the attributes of compatibility and observability. Print mass media channels such as newspapers and magazines are useful for explaining conceptual and technical details, helping out with the attributes of relative advantage and complexity. New media such as the internet with World Wide Web can provide interesting mixtures of image, explanation, and demonstrations, thus also fostering trialability.



CHECK YOUR PROGRESS

Q 1: Write True or False:

a) Line extensions are continuous innovations.

b) Innovators comprise 13.5 percent of the target market(s) adopters.

c) Innovators are 'generic'; they are 'not specific' to a product and service type.

Q 2: Fill up the blanks:

a) As per the _____ approach, a product or service offering is regarded as 'new', if the company starts manufacturing or marketing it for the first time.

b) As per the product-oriented approach, innovations can be classified into three categories, continuous innovations, _____ innovations, and _____ innovations.

c) Amidst the varying perspectives and orientations, the approach(es) that receives wide attention are the _____and the consumer-oriented approaches to studying 'innovation'.

d) Generally speaking, the consumer passes through five stages of adoption, viz., awareness, _____, _____trial, and adoption (or rejection)

Q 3: Choose the correct answer:

a) Which of the following statements is false?

i) In discontinuous innovations, there is a change not only in the technology, but also in behavioral patterns of usage and consumption.

ii) Continuous innovations do not disrupt established usage and behavior patterns

iii) Line extensions are discontinuous innovations.

iv) All of the above.

b) Roger's has proposed a classification of adopters. The five adopter categories as per sequence are:

i) Innovators, early adopters, early majority, late majority, and laggards.

ii) Innovators, early majority, early adopters, late majority, and laggards

iii) Innovators, early majority, late majority, early adopters, and laggards

iv) None of the above.

c) Which of the following is not a stage in Rogers Model of adoption?

i) Knowledge

ii) Persuasion

iii) Liking

iv) Confirmation



10.14 LET US SUM UP

- In broad t
- In broad t
- In broad t



10.15 FURTHER READING

1) Marketing Management by Philip Kotler

2) Consumer Behaviour by Leon G. Schiffman, Joseph Wisenblit and S. Ramesh Kumar



10.16 ANSWERS TO CHECK YOUR PROGRESS

Ans to Q No 1: a) True b) False c) False

Ans to Q No 2: a) Firm b) Dynamically continuous, Discontinuous

c) Market-oriented d) Interest, Evaluation

Ans to Q No 3: a) iii b) i c) iii



10.17 MODEL QUESTIONS

Q 1: Give an example of a discontinuous innovation.

Q 2: Define the following:

a) Dynamically continuous innovation

b) Diffusion of innovation

Q 3: Write short notes on the following:

a) Diffusion process

b) Adoption process

c) Factors affecting the diffusion of innovation

d) Time Factor In Diffusion Process

e) Culture and diffusion

f) Communication and diffusion

Q 4: The term 'innovation' has been described with varying perspectives and orientations. Mention any three orientations.

Q 5: Innovations are measured on two dimensions. Name them.

Q 6: Consumer researchers have proposed a number of models to describe the steps in the adoption process. Mention any two.

Q 7: Explain the varying perspectives to defining 'Innovation'.

Q 8: Write a note on the classification of New Product Innovations. Also give examples.

Q 9: Explain what you mean by 'Adopter Categories'.

Q 10: Explain the various stages in the Adoption Process.

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UNIT 11: CULTURAL INFLUENCE ON CONSUMER'S DECISION AND THE DECISION MODELS

UNIT STRUCTURE

11.1 LearningObjectives

11.2 Introduction

11.3 Situational Influence

11.4 Nature of Situational Influence

11.5 Situational Variables

11.6 Types of Consumer Decisions

11.7 Nicosia Model of Consumer Decision-making(Conflict Model)

11.8 Howard-Sheth Model (Machine Model)

11.9 Engel Blackwell Miniard Model (Open System)

11.10 Let Us Sum Up

11.11 Further Reading

11.12 Answers to Check Your Progress

11.13 Model Questions

11.1 LEARNING OBJECTIVES

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

- explain the concept ofSituational Influence
- understand the nature of situational influence
- explain the situational variables
- describe the types of consumer decisions
- explain the Nicosia Model of Consumer Decision-making(Conflict Model)
- explain the Howard-Sheth Model (Machine Model)
- explain the Engel Blackwell Miniard Model (Open System).

11.2 INTRODUCTION

Situational influences are temporary conditions that affect how buyers behave- whether they actually buy your product, buy additional

products, or buy nothing at all from you. They include things like physical factors, social factors, time factors, the reason for the buyer's purchase, and the buyer's mood. You have undoubtedly been affected by all these factors at one time or another. Because businesses very much want to try to control these factors, let's now look at them in more detail.

11.3 SITUATIONAL INFLEUNCE

Situational factors that affect consumers' buying behaviour significantly differ from personal or product factors. Situational factors include all those factors that are specific to a time and location of observation in spite of personal knowledge and evocation attributes that used to make a demonstrable and organized effect on present behaviourof the consumer.

Kauffman defines, "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."

Johnson opined,these factors are a significant interfering variable among the moderately unvarying family framework and buying decision behaviour.

Thus, situational factors can also be described as the effects of situation on a consumer's psychological procedures and explicit behaviour.Situational influences are factors that results from considerations, time, and location that in turn impact consumer buying decision procedure. Situational factors can affect a consumer's action in any phase of buying behaviour as well as it can also abbreviate, extend, or cease the buying procedure. All consumers have definitely been impacted by the situational factors at the time of purchasing one or another product.By understanding the diverse situational factors that affect consumers' buying behaviour at the time of purchasing a product or service, it will become easy for marketers

to develop strategies accordingly.

11.4 NATURE OF SITUATIONAL INFLEUNCE

Following are the nature of situational influences:

- **Situations directly affect action:** As soon as a person (or consider him as a customer) encounters a particular situation, his action is directed by that situation. For instance, he has been caught in rain, he left everything else and tries to cope up with the rain immediately. He thinks of every probable ways out to escape the rain depending upon the intensity of the situation.
- **Situations rise in priority according to urgency:** The nature of situational influence works in much the same and is amplified by urgency. This situational influence is represented by four distinct states of rain from Drizzle, Rain, Storm to a Flood. Underneath these is how the urgency of situation makes it rain harder thus creating a more directly influential situation. So depending upon the distinct state of situation a person is in will determine his purchase i.e; whether he will make no purchase and wait for the drizzle to stop or he will purchase umbrella or rain coat to escape from the rain or you need shelter from a lengthy or intense storm - the kind that disrupts your life and impacts your emotional well being. And the priority would be different in case of flood.
- **Urgency drives immediacy of action:** Situational urgency drives immediacy of action. Urgency could be from mild, medium high to life changing and depends upon the duration of the situation such as from instant to lifetime or a single second to decades.
- **We are oblivious to all of it:** Every customer is oblivious to the situational influences. But customers encounter these situations and act or react to it.

11.5 SITUATIONAL VARIABLES

Situational factors that affect consumers' buying behaviour significantly differ from personal or product factors. Situational influences

are factors that results from considerations, time, and location that in turn impact consumer buying decision procedure. Situational factors can affect a consumer's action in any phase of buying behaviour as well as it can also abbreviate, extend, or cease the buying procedure. Situational factors involve aspects like physical factors, social factors, time factors, the consumer's purchasing reason and his mood. All consumers have definitely been impacted by all these factors at the time of purchasing one or another product. These variables are explained below:

- **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 marketers at the time of designing their facilities can benefit them in increasing consumers' purchase.Presumably, the longer you wander around a facility, the more you will spend. Grocery stores frequently place bread and milk products on the opposite ends of the stores because people often need both types of products. To buy both, they have to walk around an entire store, which of course, is loaded with other items they might see and purchase. Generally, it is said that any aspect of the physical environment can have an effect on consumer behaviour. The physical environment that affects consumer purchasing behaviour can be classified into following elements- Spatial elements and Non-spatial elements. Spatial elements pertain to all kinds of physical objects like products and brands, countries, cities, stores, shopping centres and interior decorations. On the other hand, non-spatial elements pertains to all intangible factors like lightings, aromas, temperature, humidity, rainfall, illumination, noise level and time. By understanding the effect of these different aspects of the physical environment, a marketer can easily design strategies to effect consumer cognitions and behaviours regarding purchasing a product. For example,you've visited the office of an apartment complex and noticed how great it looked and even smelled. It's no coincidence. The managers

of the complex were trying to get you to stay for a while and have a look at their facilities.

- **Social Surroundings:** The social situation you're in can significantly affect what you will buy, how much of it, and when. In other words, it can be said that social surroundings that influence consumers purchasing decisions are other persons, their compatibilities, roles, interactions and crowding. By understanding the social situation in which a consumer is, marketer can significantly affect their purchase decisions. Most of the companies like Avon and Tupperware, sell their products at parties because they know in these kinds of parties consumers are in different social situation and have to buy something. When a student is in collage he will not spend much amount on fast-food but when he is in a restaurant with his special friend or close friend he will definitely spend much more on his 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 . Time plays a substantial role and in this a buyer regards the probable regularity of product use, the time-span required to make use of the product, and the span of the all-inclusive product life. In addition to this, other time aspects that affect consumers purchase are time of day, day of the week or month, times of year, and vacations. The consumer purchase decision is affected by the time, he/she devotes for purchasing decisions. This could also be understood with an example like if a customer is under severe time constraints he will either make a fast purchase decision or hold-up a decision. By managing and handling time, marketers can positively affect consumers' purchasing decisions. In regard to having a coffee a customer may have lots of time or a

customer may have little time. All these things need to be considered for designing effective strategies to affect consumers purchasing decisions. Nowadays, most of the consumers are facing paucity of time due to their busy or hectic schedules 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 Reasons:** Another substantial situational influence is related to consumers' purchasing reason. It is a significant factor that affects consumers' every purchase decision. The cause for purchase elevates the questions of what precisely the product buying should bring about and for whom. For example, when we go to buy a gift for friend it differs from what we buy for our dear ones or family members. Our purchasing totally differs with our purchasing reason and this in turn will also affect the time spend on purchasing. Similarly, when a consumer go for a coffee in a store as some may purchase it for relaxation or some may purchase it for having fun with friends in a store where there are no limits of time to sit and talk over a coffee. Purchasing decision is significantly affected by the reason to purchase a product as every product fulfils different needs and necessity of consumers. By understanding these reasons a company or marketer can significantly influence its consumers purchase decisions.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. Understanding why a consumer purchases a product will definitely assist its marketers in presenting it to its consumers in a different and much more unique way.
- **Buyer's Mood and Conditions:**The last significant situational factor that influences consumers buying decision process is their temporary moods or momentary situations like exhaustion, ill health, having sufficient cash. All these conditions of consumers have bearing on their purchasing process. 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. An individual's mood is quite imperative for purchasing something. 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. Marketers, who understand all these situational influences that affect consumers can design substantial strategies to affect their consumers' behaviour.

11.6 TYPES OF CONSUMER DECISIONS

To successfully reach the target market, and improve interactions with customers, marketers need to understand just how much effort and time consumers put into decision-making. Decision-making is both an art, and a science, which has been studied by experts across generations. Most of the time, the secret of marketing lies in learning exactly what the customer wants, and how their decisions can be influenced to purchase one product over its competitors. Besides, apparently simple decisions, there are a range of thought processes which impact decision-making. For instance, a buyer may decide at the "spur of the moment", based on emotion, or he may make a researched, and well-thought out decisions. Based on this observation, we can see that different processes exist for decision-making.There are three types of consumer decisions to consider:

- **Nominal Decision-Making/ Routine purchase decision/ Low involvement decision:** Nominal decisions are often made on low-cost

products. They include frequent purchases, purchases from a familiar brand or product, buying that requires low involvement, or little search efforts.If you've been using the same laundry detergent for twelve years, you're unlikely to spend much time researching different brands unless you notice a problem with your existing purchase. In other words, you'll keep picking up the same bottle without thinking about it.Nominal decision-making doesn't always start off as nominal. Initially, you may have spent weeks searching for a laundry detergent that was within your budget, smelled great, and kept your clothes soft. However, your purchase becomes nominal over time because of your loyalty to the brand you ended up choosing.The important thing to remember about nominal decision making, is that too much marketing effort can have a negative impact on your customers. If someone is already happy to buy an item on impulse, or because of brand loyalty, they don't need constant interaction with the brand asking them what they like about the substance, or whether they want to change anything. Too much marketing is not only debilitating to your budget, but it can get on your customer's nerves - which is a dangerous thing for brands in this highly competitive era. Examples of this type of decision includes when one goes to purchase daily items like milk, pulses, rice etc.

- **Limited Decision-Making/ Limited involvement Decision:** Limited decision-making is a little more involved than nominal decision-making, but it's still not a process that requires in-depth research. Limited decisions are made about mid-cost products, semi-frequent purchases, or purchases from a somewhat familiar brand. They require a little involvement, and perhaps some searching.When customers make limited decisions, they take a small amount of time to ponder over their purchase, but they might not go online to look for testimonials and reviews. Instead, they could consider their memory of their product, and make decisions based on logical inferences.For instance, you might go to a store with every intention to pick up a particular brand of juice, but when you arrive you notice that another juice is on offer. Your memory tells you that you enjoyed this juice before, but found it too expensive for

your regular shopping habits, so you decide to make a change for a limited time, and purchase the alternative juice instead. While the argument could be made that limited decisions come from a lack of brand loyalty, the truth is that they can be attributed to anything from the novelty of a new product, to a feeling of boredom with an existing shopping habit.When it comes to addressing limited decision-making, it's important for marketers and brands to examine their customer data, and understand the factors that influenced decision-making, such as:Product quality, Product availability, Price, Packaging style. It is in between the nominal and extended decision making. A few alternatives are evaluated on a few dimensions using simple selection rules. Under this there is little thinking before purchase; for example, when you want to shift from Tata Taj Mahal Tea to Brooke Boond Red Label Tea or from Lux Soap to Dove Soap.

- **Extended Decision-Making/ High Involvement Decision:** Finally, extended decisions are made about higher-cost products, and infrequent purchases. They require a lot of involvement, often centreon and around unfamiliar brands or products, and need extended thought and search efforts to ensure buyer confidence.For instance, we don't buy a huge flat-screen television every day, so when the time comes to make this kind of investment, we want to know for sure that we're making the right choice in everything from brand to picture quality and so on. Major purchases come with more risk for the customer, and that means that there's more cause to consider things from a deeper perspective. Rather than grabbing the first television you see, or buying one just because it's on sale, you'd generally ask for advice from friends and family, find out as much as you can about different specifications, and spend a substantial amount of time looking up product reviews and testimonials. For example, products such as homes, computers and complex recreational items are frequently purchased by extended decision making. The evaluation process of the purchase takes pace. So, in this type there is consumer involvement but degree vary from

one to other.

11.7 NICOSIA MODEL OF CONSUMER DECISION-MAKING (CONFLICT MODEL)

The model proposed by Francesco Nicosia in the 1966, was one of the first models of consumer behaviour to explain the complex decision process that consumers engage in during purchase of new products. Instead of following a traditional approach where the focus lay on the act of purchase, Nicosia tried to explain the dynamics involved in decision making. Presenting his model as a flow-chart, he illustrated the decision making steps that the consumers adopt before buying goods or services; decision making was presented as a series of decisions, which follow one another. The various components of the model are seen as interacting with each other, with none being essentially dependent or independent; they are all connected through direct loops as well as feedback loops. Thus, the model describes a flow of influences where each component acts as an input to the next. The consumer decision process focuses on the relationship between the marketing organization and its consumers; the marketing organization through its marketing program affects its customers; the customers through their response to the marketer's action, affects the subsequent decisions of the marketer; the cycle continues. The various components that are further distinguished into main fields and subfields of the model are marketer's communication affecting consumer's attitude, consumer's search and evaluation, purchase action, consumption experience and feedback. The first field ranges from the marketer (source of message) to the consumer (attitude); the second from the search for to the evaluation of means/end(s) relation(s) which forms the pre-action field; the third field relates to the act of purchase; and the fourth to feedback. The output from one field acts as the input for the next. These are explained as follows:

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. The consumer is exposed to the firm's attributes through the marketing communication; this marketing communication could take place impersonally via mass media (TV, newspaper, websites, etc) as well as personally. The information could relate to the firm attributes as well as the product, price and distribution. This message relating to the firm's attributes affects the consumers' perception, predisposition and attitude toward the firm and its offering. Of course, the impact on perception and attitude is also dependent upon the consumer's personal characteristics, values, experiences, culture, social influences etc. Thus, the marketer's communication affects the consumers' attitude.

Field 2: Search and Evaluation. After an attitude is formed, the consumer moves to Field 2 of the model, i.e. the consumer's search for and evaluation of means/end(s) relation(s) which forms the pre-action field. The consumer searches for information about the product category and the varying alternatives, and thereafter evaluates the various brands on criteria like attributes, benefits, features etc. These criteria could be based on his learning and past experiences as well as the marketer's inputs. This step creates a motive in the mind of the consumer to purchase the product. 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. The motivated state leads to Field 3 of the model, i.e. the decision making on the part of the consumer and the act of purchase. The consumer finally gets into action and buys the product from a chosen retailer.

Field 4: Feedback 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.Thus, the purchase action leads a consumer to Field 4 of the model which is consumption experience and feedback. After purchasing the product, and the resultant consumption, the consumer may have two kinds of experiences. A positive experience in terms of customer satisfaction may reinforce his predisposition with the product/brand and make him loyal towards it. A negative experience on the other hand, implying consumer dissatisfaction would affect his attitude negatively, lower down evaluations about the product/brand and even block his future purchases. This Filed provides feedback to the marketer, who can modify its mix accordingly. In the first field, the marketer communicates with the customer and promotes an unfamiliar product to him; depending upon the existing predispositions and his evaluation, the consumer develops an attitude. In the second field, the consumer searches for information and evaluates it based on his attitudes; thereafter, he develops a motivation to act. In the third field, he makes and purchase and in the fourth field, he would provide feedback and also memorize his experience and learning for future use. Thus, the firm communicates with consumers through its marketing messages and the consumers react through an act of purchase. Both the firm and the consumer influence each other.

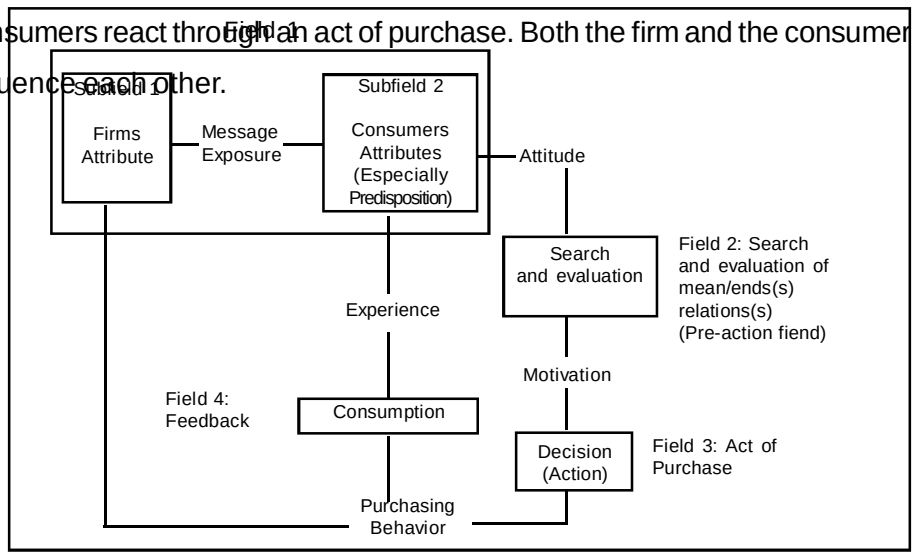


Figure: Nicosia's Model of Consumer Decision Making

Critical Analysis/Assessment of the Model

Nicosia's model is an integrative model that tries to integrate the body of knowledge that existed at the time of its formulation in the area of consumer behaviour. It was a pioneering attempt to focus on the conscious decision-making behaviour of consumers, where the act of purchase was only one stage in the entire ongoing decision process of consumers. The flowcharting approach proposed by Nicosia, simplifies and systemizes the variables that affect consumer decision making. It contributes to the step by step "funnel approach" which views consumers' movement from general product knowledge toward specific brand knowledge and from a passive position to an active state which is motivated toward a particular brand. However, the model suffers from limitations in the sense that the model proposes assumptions, boundaries and constraints that need not be realistic. It has been argued that attitude, motivation and experience may not occur in the same sequence. Variables in the model have not been clearly defined. Factors internal to the consumer have not been defined and dealt with completely. The mathematical testing of the model and its validity are also questionable.

11.8 HOWARD-SHETH MODEL (MACHINE MODEL)

Howard and Sheth used the term buying behaviour and not consumer behaviour as the industrial buyers and consumers are similar in most aspects. While the model was proposed in the 1960s, for industrial buying, the term "buyer" is used to connote both industrial consumers and personal consumers. Through the model, Howard and Sheth, tried to explain buyer rationality while making purchase decisions even in conditions of incomplete information. While they differentiated between three levels of decision making; Extensive Problem Solving, Limited Problem Solving and Routinised Response Behaviour, the model focuses on repeat buying/ purchase. The model has four major components, viz., stimulus inputs (input variables), hypothetical constructs, response outputs (output variables) and exogenous variables.

- **Stimulus Inputs (Input variables):** The input variables refer to the stimuli in the environment; they take the form of informative cues about the product/service offering; these information cues could relate to quality, price, distinctiveness, service and availability. The informational cues could be Significative, Symbolic (both of which are commercial and can be controlled by the marketer) and Social (non-commercial and uncontrollable by the marketer; family, reference groups and social class). All these three types of stimuli provide inputs concerning the product/brand to a consumer.
  - **Significative Stimuli:** The product/brand information that the marketer provides, comprises the significative component; it deals essentially with the brand characteristics.
  - **Symbolic Stimuli:** This is the psychological form with which a buyer perceives the product and service offering (brand); it is figurative (verbal and visual product characteristics) and perceptual and depends on how the offering has been positioned; it emanates from advertising and promotion efforts.
  - **Social Stimuli:** This is the information about the product or service offering that comes from the social environment viz. family, groups, society and culture at large.
- **Hypothetical constructs:** Howard and Sheth classified the hypothetical constructs into two major groups, viz., perceptual constructs and learning constructs. These constitute the central part of the model and deal with the psychological variables which operate when the consumer is undergoing the decision making process.
  - **Perceptual Constructs:** The perceptual constructs deal with how a consumer obtains and processes information received from the input variables. Once the buyer is exposed to any information, there is an attention; this attention towards the stimuli depends on the buyers' sensitivity to information in terms of his urge and receptivity towards such information. Not all information would be processed and the intake of information is subject to perceived uncertainty and lack of meaningfulness of information; this is referred to as stimulus

ambiguity. This reflects the degree to which the buyer regulates the stimulus information flow. Stimulus ambiguity occurs when a consumer does not understand the message from the environment; it could trigger off a need for a specific and active search for information and thus lead to an overt search for information. The information that is gathered and processed may suffer from perceptual bias if the consumer distorts the information received so as to fit his/her established needs/beliefs/values/experiences etc.

- **Learning Constructs:** The learning constructs relate to buyer learning, formation of attitudes and opinions, and the final decision. The learning constructs are seven in number, and range from a buyer's motive for a purchase to the final satisfaction from a purchase; the interplay of these constructs ultimately leads to a response output or a purchase. The motives refer to the goals that a buyer seeks to achieve through a purchase and the corresponding urge towards action or the purchase activity. The brand comprehension is the knowledge and information that the buyer has about the various brands in his evoked set. The buyer forms an order of preference for the various brands; this order of preference is based on the choice criteria (decision mediators). The decision mediators are the evaluative criteria and the application of decisions rules by the buyer to the various purchase alternatives. Based on the choice criteria, the attitudes are formed for the varying brands. The attitudes reflect the predisposition of the buyer; preference toward alternative brands; and, feelings of like/dislike towards the offerings. The brand potential of the evoked set determines the buyer's perception and confidence level of the brands that he is considering to purchase. The purchase intention is a cumulative outcome of the interaction of buyer motives, choice criteria, brand comprehension, resultant brand attitude and the confidence associated with the purchase. Satisfaction, another learning construct, involves the post purchase evaluation (whether expectation from an offering matches the performance) and resultant

impact (positive/negative) on brand comprehension.

- **Response Outputs (Output Variables):** The output variables refer to the buyer's action or response to stimulus inputs. According to Howard and Sheth, the response outputs comprise five constituents, viz., attention, comprehension, attitude, intention and purchase. These could be arranged in a hierarchy, starting from attention and ending up with purchase.
  - **Attention:** It refers to the degree or level of information that a buyer accepts when exposed to a stimulus. It reflects the magnitude of the buyer's information intake.
  - **Comprehension:** It is the amount of information that he actually processes and stores; here, it refers to brand comprehension which is buyers' knowledge about the product/service category and brand.
  - **Attitude:** The attitude is the composite of cognition, affect and behaviour towards the offering; the attitude reflects his evaluation of the brand and the like/dislike based on the brand potential.
  - **Intention:** It refers to the buyer's intention to buy or not to buy a particular offering.
  - **Purchase:** Purchase behaviour refers to the actual act of buying. The purchase behaviour is a cumulative result of the other four constituents.
- **Exogenous Variables:** The Howard and Sheth model also comprises certain constant exogenous variables that influence some or all of the constructs explained above, and thereby impact the final output variables. These are explained as inhibitors or environmental forces that restrain the purchase of a favoured brand; for example- importance of the purchase, price, financial status of the buyer, time at the disposal of the buyer, personality traits, social pressures etc.

Working Relationships Between Constructs and the Model:

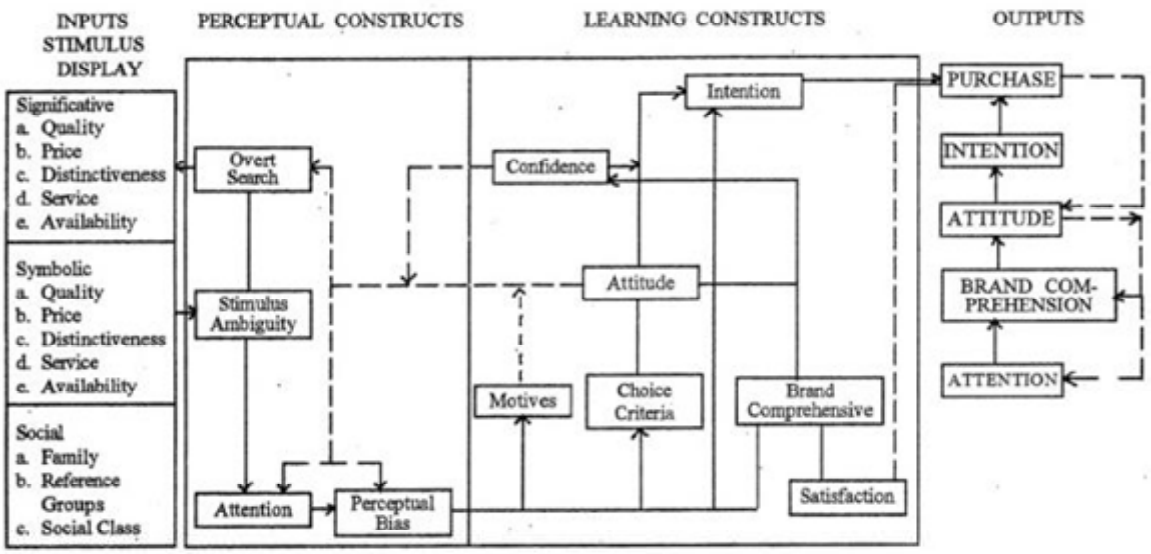
Through their model, Howard and Sheth explained the buying decision process that a buyer undergoes, and the factors that affect his choice decision towards a brand. The process starts when the buyer is exposed to a stimulus. As a result of the exposure, stimulus ambiguity

occurs, which leads to an overt search for information. The information that is received is contingent upon the interplay between the attitudes and the motives. In other words, the search for information and the conclusions drawn would be filtered by perceptual bias (that would be a result of attitude, confidence, search and motives). It may alter the existing patterns of motives and choice criteria, thereby leading to a change in the attitude towards the brand, brand comprehension, motives, purchase intention and/or action. The final purchase decision is based on the interaction between brand comprehension, strength of attitudes towards the brand, confidence in the purchase decision and purchase intention. The actual purchase is influenced by the buyer's intentions and inhibitors, which he confronts. The entire process is impacted by various exogenous variables like the importance of purchase, price, time available to make the purchase, social and cultural influences etc. After the purchase, the buyer experiences satisfaction if the performance matches and exceeds expectation; this satisfaction would strengthen brand comprehension, reinforce the confidence associated with the buying situations, and strengthen the intention to repeat purchase of the brand. With a satisfying purchase decision, the buyer learns about buying in similar situations and the behaviour tends to get routinized. The purchase feedback thus influences the consumers' attitudes and intention.

Critical Analysis/ Assessment of the Model

The model is an integrative model that incorporates many of the aspects of consumer behaviour; it links together the various constructs/ variables which may influence the decision making process and explains their relationship that leads to a purchase decision. It highlights the importance of inputs to the consumer buying process. It was one of the first models to divulge as to what constitutes loyalty towards a specific product. It helped gain insights in to the processes as to how consumers' process information. The model is user friendly and is one of the few models which has been used most commonly and tested in depth.

However, the limitation lies in the fact that the various constructs cannot be realistically tested; some of the constructs are inadequately defined, and thus do not lend to reliable measurements.



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

Figure: Howard-Sheth Model

11.9 ENGEL BLACKWELL MINIARD MODEL (OPEN SYSTEM)

The Engel, Kollat and Blackwell Model, also referred to as the EKB model was proposed to organize and describe the growing body of knowledge/research concerning consumer behaviour. A comprehensive model, it shows the various components of consumer decision making and the relationships/interactions among them. The model went through many revisions and modifications, with attempts to elaborate upon the interrelationship between the various components and sub-components; and, finally another model was proposed in the 1990s which came to be known as the Engel, Blackwell and Miniard Model (EBM). The model consists of five parts, viz. information input, information processing, decision process stage, decision process variables, and external influences.

- **Information Input:** The information input includes all kinds of stimuli that a consumer is exposed to and triggers a kind of behaviour. The consumer is exposed to a large number of stimuli both marketing

(advertising, publicity, personal selling, demonstrations, store display, point of purchase stimuli) as well as non-marketing sources (family, friends, peers); thus the various stimuli compete for consumer's attention. These stimuli provide information to the consumer and trigger off the decision making process.

- **Information Processing:** Stimuli received in the first stage provide information; the information is processed into meaningful information. The stage comprises consumer's exposure, attention, perception/ comprehension, acceptance, and retention of information. The consumer is exposed to stimuli (and the accompanying information); attention determines which of the stimuli he will focus upon; thereafter he would interpret and comprehend it, accepts it in his short term memory and retains it by transferring the input to long-term memory.
- **Decision-Process Stage:** At any time during the information processing, the consumer could enter into this stage. The model focuses on the five basic decision-process stages, viz., problem recognition, search, alternative evaluation, choice, and outcomes (post-purchase evaluation and behaviour). There is problem recognition; this is followed by a search for information, which may be internal based on memory. The search of information is also impacted by environmental influences. Thereafter, the consumer evaluates the various alternatives; while evaluation, belief lead to the formation of attitudes, which in turn affect the purchase intention. The next stage is the choice and purchase, which gets impacted by individual differences. Finally there is an outcome, in the form of satisfaction and dissatisfaction. This outcome acts as a feedback on the input and impacts the cycle again. Environmental influences, individual differences and social influences, directly and indirectly influence each of the stages of the decision process. However, Engel, Kollat and Blackwell proposed that it is not necessary for every consumer to go through all the five stages; it would depend on whether the problem is an extensive or a routine problem-solving behaviour.

- **Decision Process Variables:** The model proposes individual influences that affect the various stages of the decision making process. Individual characteristics include constructs like demographics, motives, beliefs, attitude, personality, values, lifestyle, normative compliance, etc.
- **External Influences:** The model also proposes certain environmental and situational influences that affect the decision making process. The environmental influences include "Circles of Social Influence," like culture, sub-culture, social class, reference groups, family and other normative influences; situational influences include consumer's financial condition.

Working Relationships Between Components and theAssessment of the Model

The decision process comprises five stages from need recognition to outcome. The outcome in the form of satisfaction/dissatisfaction acts as the input in the next cycle of a similar purchase. Each of the components is directly or indirectly impacted by environmental influences, individual differences and social influences. The model incorporates many constructs that impact consumer decision making. It tries to explain clearly the interrelationships between stages in the decision process and the various variables. They attempted to relate belief-attitude-intention. An attempt was made to define the variables and specify functional relationships between the various constructs. However, the model fails to adequately explain as to how each of these influences consumer decision making. Critics argue that there are too many variables; these have not been defined; the model is vague and complex; and the validity of the model has been questionable. The model was revised in the 1990s and proposed again as the Engel, Blackwell and Miniard (EBM) model.

Modification of the Engel, Blackwell and Miniard (EBM) Model

The EKB model went through a series of revisions and modifications and finally it was proposed as the Engel, Blackwell and Miniard Model. The model consists of four sections viz., information input; information processing; decision process and variables influencing the decision process. The variables and the working relationship is similar to the

EKB but has been slightly modified. Information received from marketing and non-marketing stimuli feeds into the information-processing section of the model. The information section of the model comprises various stages like exposure, attention, comprehension, acceptance and retention. After passing through these stages, it goes into the memory. Then this information that is stored in the memory acts as an initial influence on the need recognition stage. If internal information is inadequate there is a search for external information. The model focuses on the decision process stages: need recognition, search, pre-purchase alternative evaluation, purchase, consumption, post-purchase alternative evaluation and divestment. "Divestment" as a construct was additionally added as a modification over the EKB model. Divestment relates to options of disposal, recycling or remarketing. The entire process is influenced by environmental influences and individual differences.

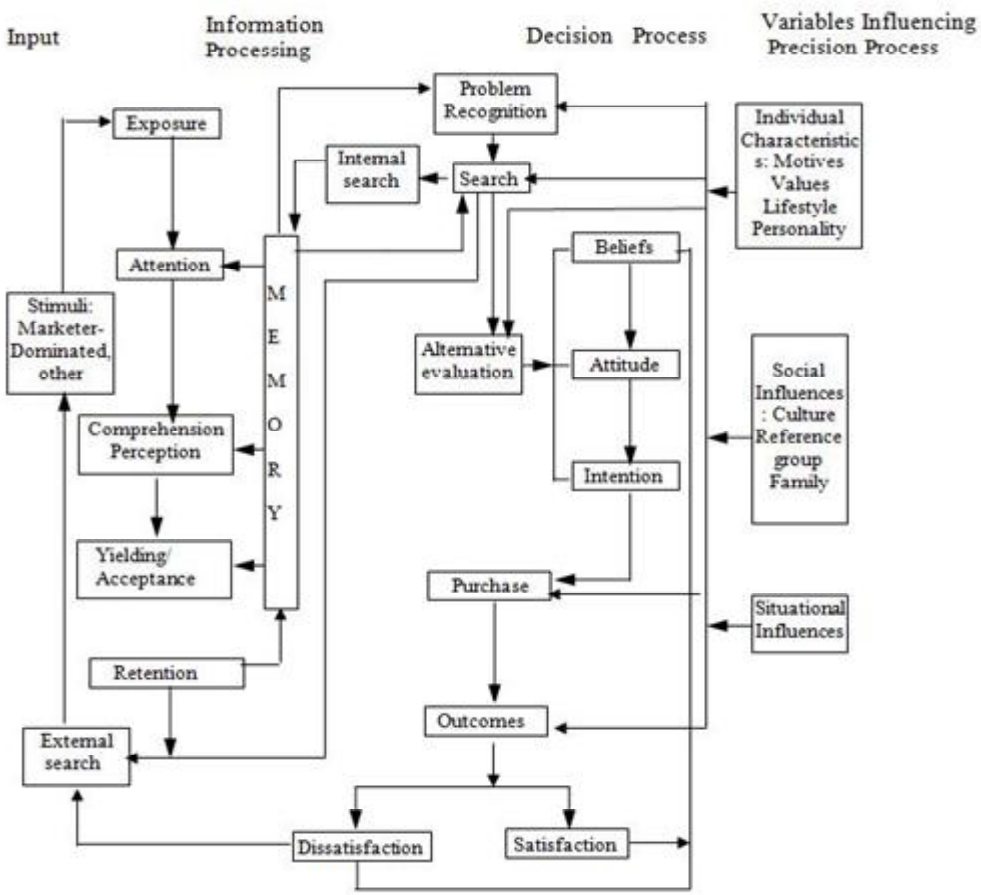


Figure: The Engel, Blackwell and Miniard (EBM) Model



CHECK YOUR PROGRESS

1. Situational influences are _____ conditions that affect how buyers behave. (Fill up)
2. Consumers are not at all affected by physical and social factors. (True or False)
3. Nominal decisions are often made on _____ products. (Fill up)
4. Originally the Howard and Sheth Model was proposed for industrial buying. (True or False)
5. The flowcharting approach proposed by Nicosia, complicates the process that affects consumer decision making. (True or False)
6. The Howard Sheth model has four major components, viz., stimulus inputs, _____, response outputs and exogenous variables. (Fill up)
7. _____ presented his model in the form of a flow-chart. (Fill up)
8. _____ as a construct was additionally added as a modification over the EKB model. (Fill up)
9. The EKB model consists of four sections. (True or False)



11.10 LET US SUM UP

- Situational influences are temporary conditions that affect how buyers behave- whether they actually buy your product, buy additional products, or buy nothing at all from you. They include things like physical factors, social factors, time factors, the reason for the buyer's purchase, and the buyer's mood.
- The nature of situational influences are- situations directly affect action, situations rise in priority according to urgency, urgency drives immediacy of action and we all are oblivious to it.

- Situational factors involve aspects like physical factors, social factors, time factors, the consumer's purchasing reason and his mood. All consumers have definitely been impacted by all these factors at the time of purchasing one or another product.
- There are three types of consumer decisions to consider- Nominal Decision-Making, Limited Decision Making and Extended Decision Making.
- The model proposed by Francesco Nicosia in the 1966, was one of the first models of consumer behaviour to explain the complex decision process that consumers engage in during purchase of new products.
- Howard and Sheth used the term buying behaviour and not consumer behaviour as the industrial buyers and consumers are similar in most aspects. While the model was proposed in the 1960s, for industrial buying, the term "buyer" is used to connote both industrial consumers and personal consumers. Through the model, Howard and Sheth, tried to explain buyer rationality while making purchase decisions even in conditions of incomplete information.
- The EKB model, a comprehensive model, shows the various components of consumer decision making and the relationships/ interactions among them. The model went through many revisions and modifications, with attempts to elaborate upon the interrelationship between the various components and sub-components; and, finally another model was proposed in the 1990s which came to be known as the Engel, Blackwell and Miniard Model (EBM).



11.11 FURTHER READING

1) Schiffman, L.G. and Kanuk, L.L., Consumer Behavior, Eight Edition, 2004, Prentice Hall, India.
2) Loudon, D.L. and Bitta A.J. Della, Consumer Behavior, Fourth Edition, 2002, Tata McGraw-Hill, New Delhi.
3) Kotler P., and Keller K.L., Marketing Management, Thirteenth edition, 2009, Pearson.

11.12 ANSWERS TO CHECK YOUR PROGRESS

Ans to Q No 1: Temporary

Ans to Q No 2: False

Ans to Q No 3: Low cost

Ans to Q No 4: True

Ans to Q No 5: False

Ans to Q No 6: Hypothetical constructs

Ans to Q No 7: Nicosia

Ans to Q No 8: Disinvestment

Ans to Q No 9: False

11.13 MODEL QUESTIONS

Q 1: Define situational influence in the context of consumer behaviour. Discuss the characteristics of situational influences.

Q 2: Explain the types of different consumer decisions.

Q 3: Describe the variables of situational influences affecting consumer behaviour.

Q 4: Briefly explain and assess the Howard and Sheth Model of Consumer Behaviour.

Q 5: Critically assess Nicosia's model of Consumer Behaviour.

Q 6: Explain the EKB Model. What was the improvisation that led to the EKM Model?

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UNIT 12: DECISION MAKING PROCESS-I

UNIT STRUCTURE

12.1 Learning Objectives

12.2 Introduction

12.3 Decision Making

12.4 Types of Decisions

12.5 Importance of Decision Making

12.6 Effective Decision

12.7Consumer Decision Making Process

12.8 Five Stages of Consumer Decision Making Process

12.9 Guidelines for Making Decision

12.10 Techniques for Improving Group Decision-Making

12.11 Role of Creativity in Decision Making Process

12.12 Rational Decision Making Model Definition

12.13 Rational Decision Making Model Steps

12.14 Difference between Individual and Group Decisions

12.15 Situations for Individual and Group Decision Making

12.16 Committee Organization

12.16.1 Advantages and Disadvantages

12.17 Let Us Sum Up

12.18 Further Reading

12.19 Answer to Check Your Progress

12.20 Model Questions

12.1 LEARNING OBJECTIVES

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

- explain the concept of decision making system
- explain the importance of decision making
- discuss the five Stages of Consumer Decision Making Process
- explain the techniques for Improving Group Decision-Making
- explain the situations for individual and group decision making.

12.2 INTRODUCTION

Decision making is an indispensible component of management process and manager life is filled with making decisions and after decisions to get intended result. This unit discusses about individual decision making to group decision as well as various decision making process and models which complements the decision making system in the most profitable way.

12.3 DECISION MAKING

Decision making is an indispensible component of management process and manger's life s filled with making decisions after decisions. Managers see decision making as their central job because they constantly choose what is to be done, which is to do, when to do, where to do, and how to do.

Decision making is both managerial function and organizational process. It is managerial function because it is a fundamental responsibility of every manager. It is organizational process because many decisions transcend the individual managers and become the product of groups, teams, committees, etc. In fact, more important decisions are made by group of managers rather by managers individually. Therefore, managers should develop decision making skills and acquaint themselves with the dynamics of decision making because of the following reasons :

- Managers spend a great deal of their time in making decisions. In order to develop their decision-making skills, it is necessary that they know how to make effective decisions.
- Managers are evaluated on the basis of quality of their decision making. To improve the quality of decisions, they should know how quality of decision-making can be improved.

Decision making its features can be derived as follows:

- Decision making implies that there are various alternatives and the most desirable alternative is chosen to solve the problem or to arrive at expected results. A problem situation which does not have alternatives

is not really a problem requiring solution though the problem may by quite injurious.

- Existence of alternatives suggests that the decision maker has freedom to choose an alternative of his liking through which his purpose is served.
- Decision making may not be completely rational but may be judgmental and emotional in which personal preferences and values of the decision maker play significant role.
- Decision making, like any other management process, is goal-directed. It implies that the decision maker attempts to achieve some results through decision making.

12.4 TYPES OF DECISIONS

Decision making is involved in every walk of life; it is relevant in organizational as well as non-organisational context. In organizational context, decisions may vary from the major ones like determination of organizational objectives or deciding about major projects to specific decisions about day-to-day operations. Therefore, there are different types of decisions which are made by mangers in organizations and for each type of decision, decision making variables and conditions differ.

- **Programmed Decisions:** Programmed decisions are routine and repetitive, and they are made within the framework of organizational policies and rules. These policies and rules established well in advance to solve recurring problems in the organization. For Example, the problem relating to promotion of employees is solved by promoting those employees who meet promotion criteria. These criteria are established by promotion policy and the managers have just to decide which employees meet criteria for promotion and the decision is made accordingly.
- **Non-programmed Decisions:** Non-programmed decisions are relevant for solving unique/unusual problems in which various alternatives cannot be decided in advance. For such decisions, the situation is not well structured and the outcomes of various alternatives cannot be arranged

in advance.

- **Strategic Decisions:** Strategic decision concept is based on strategy which is a major action plan in an organization. Therefore, strategic decision can be defined as 'A strategic decision is a major choice of actions concerning allocation of resources and contribution to the achievement of organizational objectives.'

  In a strategic decision, following characteristics are present:

  - The decision is a major one which affects the whole or major part of the organization.
  - It contributes directly to the achievement of organizational objectives. Though all decisions try to contribute in this direction, strategic decisions contribute directly and other decisions are derived from these.
  - A strategic decision may involve major departure from earlier ones concerning some organizational practices; for example, change in product mix, expansion of business, change in personnel policies, etc.

- **Tactical Decision:** Tactical or operational decision is derived out of strategic decision. In relates to day-to-day working of the organization and is made in the context of well-set policies and procedures. The various features of a tactical decision are as follows :

  - Tactical decision relates to day-to-day operation of the organization and has to be taken very frequently. The decision is mostly repetitive; for example, purchase of raw materials, assigning duties to employees, etc.
  - Tactical decision is mostly a programmed one. Tactical decision is programmed through the prescription of policies, rules, procedure, etc. Therefore, the decision can be made within the context of these variables. Such prescriptions provide what to do in a particular case. When the case for decision making comes, the decision maker simply applies those prescriptions and decides the things.
  - The outcome of tactical decision is of short-term nature and affects a narrow part of the organization. For Example, purchase of raw

materials in routine manner will affect production department for short period because raw materials are purchased very frequently in the context of well-set policies.

12.5 IMPORTANCE OF DECISION MAKING

- **Implementation of managerial function:** Without decision-making different managerial function such as planning, organizing, directing, controlling, staffing can't be conducted. In other words, when an employee does, s/he does the work through decision-making function. Therefore, we can say that decision is important element to implement the managerial function.
- **Pervasiveness of decision-making:** The decision is made in all managerial activities and in all functions of the organization. It must be taken by all staff. Without decision-making any kinds of function is not possible. So it is pervasive.
- **Evaluation of managerial performance:** Decisions can evaluate managerial performance. When decision is correct it is understood that the manager is qualified, able and efficient. When the decision is wrong, it is understood that the manager is disqualified. So decision-making evaluate the managerial performance.
- **Helpful in planning and policies:** Any policy or plan is established through decision making. Without decision making, no plans and policies are performed. In the process of making plans, appropriate decisions must be made from so many alternatives. Therefore, decision making is an important process which is helpful in planning.
- **Selecting the best alternatives:** Decision making is the process of selecting the best alternatives. It is necessary in every organization because there are many alternatives. So decision makers evaluate various advantages and disadvantages of every alternative and select the best alternative.
- **Successful; operation of business:** Every individual, departments and organization make the decisions. In this competitive world;

organization can exist when the correct and appropriate decisions are made. Therefore, correct decisions help in successful operation of business.

12.6 EFFECTIVE DECISION

The decision-making process goes through the various stages and the basic objectives of all these stages are to solve problem through the decision. The solution of the problem depends on how effectively the decision is made and implemented. Thus, an effective decision is one which is action-oriented, goal-directed, and provides efficiency in implementation. These three aspects of effective decision can be presented below.

- **Action Orientation:** Decisions are action-oriented and are directed towards relevant and controllable aspects of the environment. Decisions are totally pragmatic in nature and their value is dependent on the success of the actions that follow. Decisions may be treated as an intervening variable which may ultimately lead to the end-result variables.
- **Goal Direction:** Organisations are goal-directed units and, therefore, any organisational process, including decision making, should be goal-directed to enable the organization to meet its objectives. Naturally, the value of a decision and the associated action is related to the dispatch with which the goal is achieved.
- **Efficiency in Implementation:** An effective decision should provide the way in which it can be implemented. Therefore, decision making should take into account all the possible factors not only in terms of external context but also in internal context so that a decision can be implemented properly. Often the results are obtained by proper implementation of proper decision.

12.7 CONSUMER DECISION MAKING PROCESS

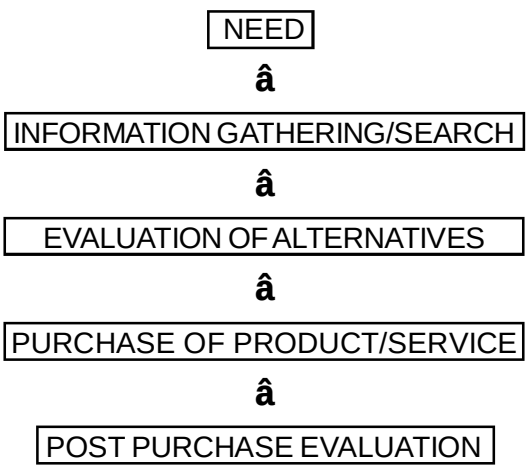
Consumer decision making process involves the consumers to identify their needs, gather information, evaluate alternatives and then make their buying decision. The consumer behavior may be determined by

economic and psychological factors and are influenced by environmental factors like social and cultural values.The consumer decision making behavior is a complex procedure and involves everything starting from problem recognition to post-purchase activities. Every consumer has different needs in their daily lives and these are those needs which make than to make different decisions. Decisions can be complex, comparing, evaluating, selecting as well as purchasing from a variety of products depending upon the opinion of a consumer over a particular product. This renders understanding and realizing the basic problem of the consumer decision making process for marketers to make their products and services different from others in the marketplace.

12.8 FIVE STAGES OF CONSUMER DECISION MAKING PROCESS

The buying behavior model is one method used by marketers for identifying and tracing the decision making process of a customer from the start to the end. The process is categorized into 5 different stages which are explained as follows:

A consumer goes through several stages before purchasing a product or service



- **Need Recognition:** Need recognition occurs when a consumer exactly determines their needs. Consumers may feel like they are missing out something and needs to address this issue so as to fill in the gap. When

businesses are able to determine when their target market starts developing these needs or wants, they can avail the ideal opportunity to advertise their brands. An example who buys water or cold drink identifies their need as thirst.

- **Information Search:** The information search stage in the buyer decision process tends to change continually as consumers require obtaining more and more information about products which can satisfy their needs. Information can also be obtained through recommendations from people having previous experiences with products. This is done so because most people do not want to regret their buying decision. Information for products and services can be obtained through several sources like:
  - **Commercial sources:** advertisements, promotional campaigns, sales people or packaging of a particular product.
  - **Personal sources:** The needs are discussed with family and friends who provided product recommendations.
  - **Public sources:** Radio, newspaper and magazines.
  - **Experiential sources:** The own experience of a customer of using a particular brand.
- **Evaluation of Alternatives:** This step involves evaluating different alternatives that are available in the market along with the product lifecycle. Once it has been determined by the customer what can satisfy their need, they will start seeking out the best option available. This evaluation can be based upon different factors like quality, price or any other factor which are important for customers. They may compare prices or read reviews and then select a product which satisfies their parameters the most.
- **Purchase Decision:** When all the above stages have been passed, the customer has now finally decided to make a purchasing decision. At this stage, the consumer has evaluated all facts and has arrived at a logical conclusion which is either based upon the influence from marketing campaigns or upon emotional connections or personal experiences or a combination of both.

- **Post Purchase Behavior:** The purchase of the product is followed by post-purchase evaluation which refers to analyzing as to whether the product was useful for the consumer or not. If the product has matched the expectations of the customer, they will serve as a brand ambassador who can influence other potential consumers which will increase the customer base of that particular brand.

12.9 GUIDELINES FOR MAKING DECISION

Any decision can be made effective if decision-making process is followed properly. However, to make a decision effective, managers should take care of certain variables affecting their decision making and its implementation.

- **Categorical Interpretation:** At the very outset it may be emphasized that logical decision can be made if the real problem is interpreted and identified with in-depth study and observation. Often what happens that mangers do not analyse the problem carefully and they take symptoms as the problems.
- **Application of Limiting Factor:** Managers can do better if they apply the limiting factor principle. In choosing from among alternatives, the more a manager recognize and solves for those factors which are limiting and critical to the attainment of desired objectives, the more clearly and accurately he can select the most desirable alternative.
- **Adequate Information:** Information is the life blood of an organization because all decisions are based on this. More is the quantity of reliable information, higher is the validity of decision. Therefore, every aspect of decision should be backed by sound and adequate proofs. If the facts underlying a problem are collected and care is taken to analyse the situation as well as the problem in the light of collected information, the basic spadework in making a decision is complete.
- **Considering Others' Views:** While making decision, it is desirable that all alternatives are considered before arriving at a decision. Equally desirable is the fact that while making a decision, others' views should

also be considered adequately. Often what happens is that a decision is affected by preferences and values. Moreover, interpretation of many qualitative facts in an alternative is subject to personal judgment.

- **Timelines:** A decision to be effective must be made at proper time. A delay in decision making may result into loss of opportunities in this fast-changing environment. In fact, one of the reasons for slow growth of organizations is that they have not been able to make fast decisions, particularly the strategic ones.

12.10 TECHNIQUES FOR IMPROVING GROUP DECISION MAKING

- **Brainstorming:** Brainstorming is a technique to stimulate idea generation for decision-making. Originally applied by Osborn in 1938in an American company, the technique is now widely used by many companies, educational institutions, and other organisations for building ideas. The process in brainstorming goes in the following ways:
  - Ø The problem on which decision is required is given to the group. Problem is stated clearly and precisely so that members of the group can focus their direct attention on it.
  - Ø Each member is asked to give ideas through which the problem can be solved. Here the emphasis is on quantity of ideas and quality may follow later. The brainstorming session is meant to be a free, frank and relaxed one to generate maximum number of ideas irrespective of qualities.
  - Ø The members are expected to put their ideas for problem solution without taking into consideration any limitations - financial, procedural, legal, organizational, or otherwise. Such limitations only act as deterrent to free flow of ideas because the participants will limit themselves in these limitations.
  - Ø Idea-evaluation is deferred to a later stage because it does not flow in the direction of idea generation. Hence, any criticism, judgment, or comment is strictly prohibited and the members are told to abstain

from it. Anyone violating this is chided gently in order to generate genial atmosphere for free flow of ideas.

- **Nominal Group Technique:** Nominal group technique (NGT) is a structured group meeting which restricts verbal communication among members during the decision-making process. It is meant to resolve differences in group opinion by having individuals generate and then rank a series of ideas in the problem exploration, alternative generation, or choice-making state of group decision-making. The process in NGT goes as follows :
  - Ø The group leader outlines the problem requiring decision.
  - Ø Each member writes down his ideas silently and independently and presents his best single idea on the problem.
  - Ø When all the members write their ideas, these are presented for discussion and evaluation before the group members.
  - Ø The members are asked to rank the various ideas for decision-making and the decision is arrived at on the basis of this ranking. If the group does not reach agreement, it repeats the ranking and voting procedure until the group reaches some agreement and makes a decision.
- **Delphi Technique:** The name Delphi indicates a shrine at which the ancient Greeks used to pray for information about the future. In Delphi technique of decision-making, members do not have face-to-face interaction for group decision. The decision is arrived at through written communication in the form of filing up questionnaires often through mail.
- **Consensus Mapping:** Consensus mapping technique of group decision-making tries to pool the ideas generated by several task subgroups to arrive at a decision. The technique begins after a task group has developed, clarified and evaluated a list of ideas. The facilities encourage participants to search for clusters and categories of ideas.
- **Positive aspect of group decision making:** Every group decision making has some positive aspects in terms of better decision, commitment of people towards decision, better communication etc and at the same time has some negative aspect in the decision making

process which affect the organization.

12.11 ROLE OF CREATIVITY IN DECISION MAKING PROCESS

Creativity is vital for the decision making whether it is organizational decision or personal decision. The role of creativity is maximum in generating alternatives which can be considered for evaluation and choice. Creativity required for solving problems which are non repetitive and unique. Such problems cannot be solved by known methods and past experience is not enough in such problems.

Stages in creative process:

- **Saturation:** for a manager it is essential that he is thoroughly conversant with the problem on hand. For him saturation stage is normally begins in thorough familiarity with a problem itself. This will provide the manager an insight in identifying the real problem and he can think for suitable solution.
- **Preparation:** The decision maker has to go through the preparation stage at which he tries o collect information relating to the problem. He may recall his past experiences and also study new materials. It should be recognized that something new does not come overnight. The preparation stage may last few minutes, hours, days or weeks even years.
- **Incubation:** If no solution found out at the stage of preparation, the creative person attempts to shelve the problem and to forget about it, he may engaged himself in activities that are totally unconnected with the problem, he may listen music, go for other entertainment and so on. In the case of incubation in subconscious mind, there is less direct or determinable connection with the basic ideas.
- **Illumination:** The illumination stage of creativity is characterized by a flash of insight or a sudden spontaneous solution. If the previous stages of creativity have been accomplished properly, the new data will be brought in the mind. Many other ideas will flash in quick order and faster

than what one's memory can absorb or retain them.

- **Verification:** This is the final stage of creative process and involves in verifying, modifying, or applying the ideas towards the solution of the problem under the study. During this stage minds sets about, by logical method or by experimentation.

12.12 RATIONAL DECISION MAKING MODEL DEFINITION

Rational decision making is a multi-step and linear process, designed for problem-solving start from problem identification through solution, for making logically sound decisions.The rational decision making model is a good model to make good decisions because it depends on rational way used for problems solving.

Business people are faced with decision making every day. Intuitive and rational decision making are the two easy that an individual can approach problem solving. Some people are very aware of their instinct or feelings and use them as a guide and decision making. These types of decisions are instinctive and rely on intuition and not facts. On the other hand in rational decision making is related with analysis, facts and a step by step process to come to a decision. Rational decision making is a precise and analytical process that companies come up with a fact based decisions.

12.13 RATIONAL DECISION MAKING MODEL STEPS

If we want to make a good decision which helps us to achieve your goals; we should depend on the available facts to make a careful analysis to make a decision as we'll explain in the following steps:

- **Step 1: Identify and define the problem:** The first step to make a rational decision is to identify and describe the problem by defining the current and desired states and defining the alternatives:
  - Keep in mind during identifying the problem to identify the cause of the problem, not the symptoms.
  - Define the gap between the current state and the desired state. And

the gap must be enough to motivate the involved people to implement the decision.

- Ø Define all available options and don't think about quick solutions.

- **Step 2: Identify the decision criteria:** The second step in the rational decision making model is outlining all the criteria ahead of time because those criteria will be a good guide to make a decision. This step deals with choosing variables that will determine the decision outcome. In this stage the criteria are depends upon the on individuals beliefs and values.
- **Step3: weight established criteria:** We need to weigh those criteria because each criterion is unlikely to have the same level of importance; there are few ways you can use to accomplish this step:
  - Ø Using an absolute comparison:We can use this method which you commonly find costumers' ratings; this comparison is helpful because it allows you to compare items side by side. So if you're shopping for a product, you can look through customers' reports and ratings and compare different types of the product in a specific category.Those reports and ratings are accomplished by incorporating a ranking system where the user enters a value reflecting the importance of the criteria on a scale.
  - Ø Using relative comparison: A relative comparison is made by comparing each criterion with another. So by using relative comparison; we can obtain what criteria are most important to us. This can be helpful when you attempt to weigh criteria that have similar ratings by using an absolute comparison.So by comparing them against one another we firmly know which one is more important.
- **Step 4: Generate list of alternatives:** Once we have identified a thorough list of criteria and weighed the importance of those criteria, now we can generate a list of alternatives.During this step, our goal is generating many alternatives as possible. The more alternatives that we generate, the greater the likelihood is that we'll come up with an effective solution to our problem.

- **Step 5: Evaluate the alternatives:** At this stage, we want to evaluate the alternatives that we've identified using the criteria that we've identified in step2. This step may be lengthy depending on the number of criteria and the number of alternatives. Hence we can state that in this step we choose the best decisions. In this step the business decision maker needs to optimize the solution or select the best alternatives.

12.14 DIFFERENCE BETWEEN INDIVIDUAL AND GROUP DECISIONS

- **Individual decisions:**
  - Ø Decisions are taken by a single individual.
  - Ø Individual decisions are less costly.
  - Ø They are based on limited information gathered by managers.
  - Ø Individual decisions are taken in situations of crisis or emergency.
  - Ø They do not involve moral commitment on the part of members to accept and implement them.
  - Ø Individual decisions do not affect morale or job satisfaction of employees.
  - Ø They introduce one-man control.
  - Ø Individual decisions do not promote interaction amongst superiors and subordinates.
  - Ø Decisions are usually based on clear policy guidelines.
  - Ø Though decisions are based on individual thinking, they are high-quality if the individual has expertise and experience in making such decisions.
  - Ø Individual decisions are usually taken in competitive business situations where people are not open to suggestions.
- **Group Decisions:**
  - Ø Decisions are taken by a group of persons.
  - Ø Group decisions are costly in terms of time and money.
  - Ø They are based on extensive information collected by members of the group.

- Ø Group decisions are taken when there is sufficient time to make decisions.
- Ø Group decisions are easier to implement as group members feel committed to them.
- Ø Group decisions positively affect morale and job satisfaction of employees.
- Ø They introduce self-control.
- Ø They promote superior-subordinate interaction and healthy relationships amongst them.
- Ø Group decisions are taken when the problem requires creativity and expert knowledge of a group.
- Ø It usually results in high-quality decisions as they are based on extensive brainstorming. They provide the benefit of synergy.
- Ø Group decisions are usually taken in supportive business situations where group members encourage problem-solving together.

12.15 SITUATIONS FOR INDIVIDUAL AND GROUP DECISION MAKING

Every managermakes decisions in the organization, either in his individual capacity or as member of a group. In fact organizational decisions are combination of individual and group decisions. Both types of decisions have their positive and negative aspects. Following are the analysis of situations for individuals or group decisions:

- **Nature of the problem:** If the policy guidelines regarding the decision for the problem at hand are provided, individual decision making will result in greater creativity as well as efficiency. Where the problems require a variety of expertise, group decision making is suitable.
- **Time availability:** Group decision making is time consuming process and, therefore when time at disposal is sufficient, group decision making can be preferred.
- **Quality of decision:** Group decision making generally leads to higher quality solutions unless an individual has expertise in the decision area

and this has been identified in advanced.

- **Climate of decision making:** Supportive climate encourages group decision making where as competitive climate stimulates individual decision making.
- **Legal requirement:** Legal requirement also determines whether individual and group decisions have to be made. Such a requirement may be prescribed by government's legal framework or the organizational policy, rule, etc.

12.16 COMMITTEE ORGANIZATION

There is some form of a formal committee on every level of the organization. They also perform so many different functions. They might act in an advisory capacity or in decision-making capacity where their decisions are enforceable. These committees are basically set up for the following purposes:

- The committees are good for a where organizational members freely exchange ideas.
- With the exchange of these ideas, some suggestions and recommendations can be generated that may prove useful for the organization.
- The existing problems in the organization can be discussed within the committee forum and some new ideas for solving these problems can be introduced.
- Some committees are formed to assist in development and establishment of organizational policies.

Advantages of Committees decision making system:

- **Pooling of opinions:** The members bring in different backgrounds, values, viewpoints and abilities. These wide ranging abilities result in greater knowledge base that results in better quality decisions. Additionally, group deliberations generally ensure a thorough consideration of problems from all angles and alternative points of view before arriving at a decision. This would not be possible if the same

problem was looked at by a single executive.

- **Improved cooperation:** The members of the committee usually get to know each other well and thus see each other's point of view with respect. They are willing to cooperate and coordinate, especially when they become aware of their role and how their decisions are going to affect the entire organization.
- **Motivation:** From a human standpoint, the biggest advantage of committees may be increased motivation and commitment derived from participation in the committee deliberations and indirectly in the important organizational affairs. Also, when the committee consists of managers and subordinates, it gives the subordinates some degree of recognition and importance.
- **Representation:** Since the committee members may have different interests and opinions that may be opposed to each other, the process of committee deliberations gives a critical viewpoint and balanced outcome of these different representations. However, even though a committee should be highly representative of all interests, capabilities of the members should take precedence over the representation.
- **Dispersion of power:** While autocratic authority makes decision making and implementation faster and easier, it may lead to misuse of power and wrong decisions. However, by spreading authority and responsibility over all committee members, this problem can be eliminated.
- **Executive training:** The committees provide an excellent training ground for young executives. They also provide opportunity for personal development that individuals may not be able to get on their own. In the committees, they learn the value of interaction, human relations and group dynamics. They get exposed to various viewpoints and tend to think in liberal manner and get to understand how collective decisions are mode. Such type of exposure and experience enables them to take on integrative view of solving various organizational problems.

Disadvantages of Committees decision making system:

- **Time and cost:** The very structure of the committee is a costly affair in terms of money and time. The nature of the committee is such that everyone has an equal chance to speak out and take part in discussions and this can be very time consuming.
- **Compromise:** Usually, there is a tendency to present unanimous decisions and hence a majority viewpoint is taken as representative even when the minority viewpoint is valid. This may result in premature agreements and decisions of mediocre quality the minority may be unwilling to pursue their viewpoints for fear that they will stand out and may be labeled as uncooperative.
- **Lack of effectiveness:** Certain issues are better solved by individuals rather than committees. The committees are very useful in handling grievances and interdepartmental problems, but they are not effective in formulating such policies where individual initiative and creativity is involved.



CHECK YOUR PROGRESS

Answer as directed:

1. What is an esteem buyer?
2. What do you mean by Black Box in consumer behaviour?
3. What are the levels of consumer decision making?
4. The consumer's level of involvement in a purchase decision has a direct bearing on how they take that decision and how much time they spend on it. (Write True or False)
5. The roles in a business decision making unit are initiator, user,_____, financer, gatekeeper, decider and buyer.
6. What is the first stage in purchase decision making process?
7. What is the final stage in purchase decision making process?
8. What are the situational influences in buying decision process?
9. Individual decisions are usually taken in competitive business situations where people are not open to suggestions. (Write True

or False)

10. Without decision-making any kinds of function is not possible. So it is pervasive. (Write True or False)
11. Decision making is only managerial function. (Write True or False)
12. Tactical decision is programmed through the prescription of policies, rules, procedure, etc. (Write True or False)



12.17 LETS SUM UP

- Decision making is both managerial function and organizational process. It is managerial function because it is a fundamental responsibility of every manager.
- It is organizational process because many decisions transcend the individual managers and become the product of groups, teams, committees, etc. In fact, more important decisions are made by group of managers rather by managers individually.
- Consumer decision making process involves the consumers to identify their needs, gather information, evaluate alternatives and then make their buying decision.
- The consumer behavior may be determined by economic and psychological factors and are influenced by environmental factors like social and cultural values.
- The consumer decision making behavior is a complex procedure and involves everything starting from problem recognition to post-purchase activities.



12.18 FURTHER READING

1) OrganisationalBehaviour - By Dr S.S. Khanka
2) Narain'sOrganisationalBehaviour - By S. Sachdeva
3) Modern Marketing Principles and Practices - By R.S.N. Pillai &Bhagavathi

12.19 ANSWERS TO CHECK YOUR PROGRESS

Ans to Q No 1: The one who prefer to purchase in prestigious stores and to [purchase for impressing others.

Ans to Q No 2: A term used by marketing researchers to describe the consumers mind and to indicate that what goes on inside is largely hidden from the researchers view.

Ans to Q No 3: there are three levels of consumer decision making, they are extensive problem solving, limited problem solving and routinized response behaviour.

Ans to Q No 4: True

Ans to Q No 5: Influencer

Ans to Q No 6: Need or problem recognition

Ans to Q No 7: post purchase behaviour

Ans to Q No 8: Physical surroundings, social surroundings, time prospective, research purchase, momentary mood and conditions.

Ans to Q No 9: True

Ans to Q No 10: True

Ans to Q No 11: False

Ans to Q No 12: True

12.20 MODEL QUESTIONS

Q 1: "Decision making is the primary task of the management' discuss the statement and explain the process of decision making system.

Q 2: What are the major features of programmed and non-programmed decisions?

Q 3: Discuss the effective decision making process.

Q 4: What is the role of creativity in decision making process? Discuss the process and the way in which an individual can become more creative.

Q 5: What is rational decision making system? Explain the various models that come under rational decision making process.

Q 6: Elaborate the various merits and demerits of decision making process by committee.

Q 7: State the difference between individual and group decision making system.

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UNIT 13: CONSUMER DECISION MAKING PROCESS-II

UNIT STRUCTURE

13.1 Learning Objectives

13.2 Introduction

13.3 Decision Making

13.4 Consumer Characteristics

13.5 Outlet Selection

13.5.1 Various Factors Affecting Outlet Selection

13.6 Purchase Behaviour

13.7 Post-purchase Behaviour

13.8 Types of Consumer Decision Making

13.9 Views of Consumer Decision Making

13.10 Post-purchase Behaviour in Consumer Decision Making

13.11 Consumer Dissatisfaction

13.12 Role of Marketer

13.13 Production vs. Consumption

13.14 Let Us Sum Up

13.15 Further Reading

13.16 Answers to Check Your Progress

13.17 Model Questions

12.1 LEARNING OBJECTIVES

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

- explain the Consumer Characteristics
- discuss the various Factors Affecting Outlet Selection
- explain meaning of Purchase Behaviour
- explain the Post-purchase Behaviour in Consumer Decision-Making
- evaluate Consumer Dissatisfaction
- explain the Role of a Marketer.

13.2 INTRODUCTION

The decision-making process consists of a series of steps which the consumer undergoes. First of all, the decision is made to solve a problem of any kind. This may be the problem of creating a cool atmosphere in your home.For this, information search is carried out, to find how the cool atmosphere can be provided, e.g. by an air-conditioner or, by a water-cooler. This leads to the evaluation of alternatives and a cost benefit-analysis is made to decide which product and brand image will be suitable, and can take care of the problem suitably and adequately, there after the purchase is made and the product is used by the consumer. The constant use of the product leads to the satisfaction or dissatisfaction of the consumer, which leads to repeat purchases, or to the rejection of the product.This chapter covers the entire necessary topic that concerned to the mentioned unit for the purpose of providing the suitable study material to the learners.

13.3 DECISION MAKING

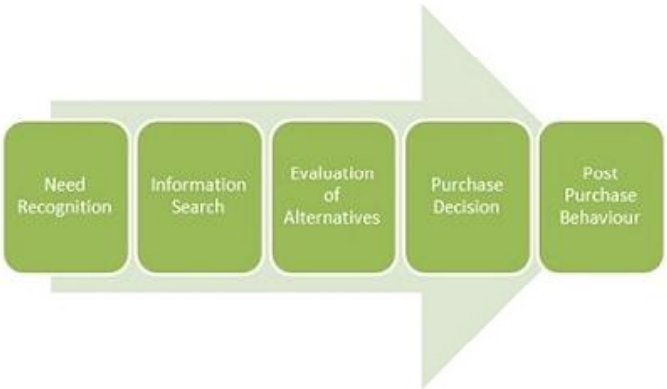
Decision making implies that there are various alternatives and the most desirable alternative is chosen to solve the problem or to arrive at expected results. A problem situation which does not have alternatives is not really a problem requiring solution though the problem may by quite injurious.Decision making may not be completely rational but may be judgmental and emotional in which personal preferences and values of the decision maker play significant role.Decision making, like any other management process, is goal-directed. It implies that the decision maker attempts to achieve some results through decision making.

13.4 CONSUMER CHARACTERISTICS

Consumer characteristics must be studied because it gives an idea of the consumer. Different consumers have different reasons and different desires for shopping. Some buy for convenience others for an image, some others for fulfilling obligations, etc. In this connection, perceived risk and

shopper orientation are quite important.

- **Perceived Risk:** The risks that are perceived by the consumer are of various types. They are social or economical risk, and these differ from consumer to consumer. Economic risks are concerned with monetary aspects. Whereas, social risk is concerned with the approval of the society. These risks are to be reduced in a number of ways. In traditional stores, quality products and famous brand names must be kept for the consumer. Toll-free service may be provided, other facilities like 24-hour service may be provided with trained staff and 100 percent satisfaction guarantee. Economic risk can be reduced through warranties and other price policies.Social risk is harder to reduce and skilled sale force and known brands should be used.
- **Shopping Orientation:** There are many reasons for shopping. It may be for acquiring a product, or for making social interaction, or for exercise, or just for looking around and gaining more product knowledge. It can also be for exercising the physical parts and mental faculties. These motives may be different for different individuals and the purpose for shopping may also vary. An understanding of consumer behavior is necessary for the long-term success and survival of a firm. Consumer decision making is viewed as the edifice of the marketing concept, an important orientation in marketing management.



The marketer should be able to determine needs and wants of the target segment and provide product and service offerings more effectively and efficiently than competitors.

13.5 OUTLET SELECTION

The selection of retail outlet therefore, can be made considering a number of factors. These are: outlet image, advertising, outlet location and size consumer characteristics.

- **Outlet Image:** It is the perception of the consumer about the store. It concerns all the attributes associated with the store. It can be perceived on the following dimensions. Marketers make extensive use of these dimensions to formulate retail strategies. First they try to project a favorable image; secondly they try to group customers with similar wants, and they try to coordinate the two together, to be effective as a retail store. Some stores which try to be "everything to all customers" fail miserably, as their image is not focused in a proper manner. The target market must be well defined. There can be junior stores, senior stores, veteran stores, feminine stores, low-priced stores, elite stores, etc. Some stores concentrate on providing service when it is not available easily. They provide service all round the clock, and give a lot of importance to service. All these aspects create image in the minds of the consumer.
- **Advertising:** Retailers use price advertising and attract people to stores. People usually come to buy the advertised items and also end up buying other products. A sale of additional items is known as spilloversales. Price is also an important factor for purchasing the product and, at least three decisions in this regard are necessary:
  - Ø How much discount should be given?
  - Ø How long should the discount last?
  - Ø How should the information be given to the target customer?
  - Ø Should preference or comparison price be used?

  Consumers perceive price advertisement as reduction in price. Many advertisers project the regular price, as well as the offered price, showing a discount or a substantial savings.

  Reference price is the price compared with other products on sale. Other factors like product category, brand, initial price level, consumer

group and retail outlet is also to be considered in price advertising.

- **Outlet Location and Size:** For the location of the store, convenience is the important factor. The consumers tend to buy from the store that is closest to them. All other things being equal, larger stores are preferred to smaller stores. People will go to smaller stores or nearby stores for minor items, but for purchasing items of high value, or specialty items, people will take the trouble of going to distant places and choose the best.Location creates an impact on the consumer. Travel time to reach the store is an important factor. If it takes more than 15 minutes to reach the store and if there are traffic jams in the way it is a hindrance or a barrier in the way of shopping for many consumers. The square feet of floor space is also an important factor.

  Consumers like ample space to move around and want to see the displays and the products closely. Location of the store may not be so much importance to many as may be other variables like the price, the variety, store quality and cleanliness and the ambience of the store. Stores in attractive surroundings are preferred to those in unattractive surroundings.

Various factors affecting the site selection are:

- Type of goods
- Population
- Easy accessibility
- Legal and future consideration
- Owners terms of occupancy
- Parking facilities
- Location cost
- Competition and saturation
- Multiple location of same chain
- Type of lease
- Surrounding condition
- Personal factors

It is considered that the retail outlet selection is very important because of the following factors:

- Location if perfect can act as the most important differentiating factor and can lead to gaining advantage over the competitors.
- Location is one such factor which if once chosen and the investment are made to customize it as per the requirements of the displays of products, cannot be easily changed to other place, unlike other f actors such as product mix, manpower, displays etc because of huge financial investments.
- Selecting a particular location depends on the transportation facilities available in the area and the delivery vehicles must be able to reach up to the store to unload the products at affordable cost.
- Location also depends on the area where the required manpower is easily available or can reach at the place in good means and the manpower us willing to work in the area considering the surrounding condition.

13.6 PURCHASE BEHAVIOUR

When a consumer realizes the needs, he goes for an information search. He does the same, so that he can make the right decision. He gathers the information about the following ?

- Product Brands
- Products Variations
- Product Quality
- Product Alternatives.

The consumer can gather information about a product depending on his age, gender, education and product's price, risk and acceptance. In this stage, the consumer actually buys the product. Generally, a consumer will buy the most favorite brand, but there can be two factors, i.e., purchase intentions and purchase decision. The first factor is the attitude of others and the second is unforeseen situational factors. The consumer may form a purchase intention based on factors such as usual income, usual price, and usual product benefits.

Types of Search Activities

The information search activity can be classified into various types such as the following:

- **Specific:** Specific kinds of activities are directly related to the problem. These kinds of requirements need immediate assistance.
- **Ongoing:** Consumers go on with their research for a particular period of time if they decide or if they want to buy a particular product. Ongoing activities basically show the work in progress.
- **Incidental:** Now, anything that we observe incidentally or just accidentally or naturally comes under incidental research. Such information can be observed in our daily routine lives.

The information sources are of two types which are listed under. They are:

- **Internal Sources:** Internal sources includes the consumer himself. Here he himself recalls the information that is stored in his memory and uses his experiences.
- **External Sources:** External sources of information include all sorts of interpersonal communication with the external environment such as friends, family, marketing people through advertisements, etc.

13.7 POST-PURCHASE BEHAVIOUR

All the activities and experiences that follow purchase are included in the post purchase behavior. Usually, after making a purchase, consumers experience post-purchase dissonance. They sometimes regret their decisions made. It mainly occurs due to a large number of alternatives available, good performance of alternatives or attractiveness of alternatives, etc.

The marketers sometimes need to assure the consumer that the choice made by them is the right one. The seller can mention or even highlight the important features or attributes and benefits of the product to address and solve their concerns if any. A high level of post-purchase dissonance is negatively related to the level of satisfaction which the

consumer draws out of product usage. To reduce post-purchase dissonance, consumers may sometimes even return or exchange the product.

In this stage, the consumers take further steps after purchase based on their satisfaction and dissatisfaction. The satisfaction and dissatisfaction depend on the relationship between consumer's expectations and the product's performance. If a product is short of expectations, the consumer is disappointed. On the other hand, if it meets their expectations, the consumer is satisfied. And if it exceeds their expectations, the consumer is delighted.

The larger the gap between the consumers' expectations and the product's performance, the greater will be the consumer's dissatisfaction. This suggests that the seller should make product claims that faithfully represent the product's performance so that the buyers are satisfied.Consumer satisfaction is important because the company's sales come from two basic groups, i.e., new customers and retained customers. It usually costs more to attract new customers than to retain existing customers and the best way to retain them is to get them satisfied with the product.

13.8 TYPES OF CONSUMER DECISION MAKING

The following are the types of decision making methods which can be used to analyze consumer behavior:

- **Extensive Problem Solving:** In extensive decision making, the consumers have no established or set criteria for evaluating a product in a particular category. Here the consumers have not narrowed the number of brands from which they would like to consider and so their decision making efforts can be classified as extensive problem solving. In this particular set of problem solving phase, the consumer needs a lot of information to set a criteria on the basis of specific brands could be judged.
- **Limited Problem Solving:** In limited problem solving, the consumers

have already set the basic criteria or standard for evaluating the products. However, they have not fully set the established preferences and they search for additional information to discriminate among other products or brands.

- **Routinized Response Behavior:** Here, in routinized response behavior, consumers have experience with the product and they have set the criteria for which they tend to evaluate the brands they are considering. In some situations, they may want to collect a small amount of additional information, while in others they may simply review what they are aware about. In extensive problem solving, consumer seeks for more information to make a choice, in limited problem solving consumers have the basic idea or the criteria set for evaluation, whereas in routinized response behavior consumers need only little additional information.

13.9 VIEWS OF CONSUMER DECISION MAKING

- **An Economic View:** Consumers have generally been assumed to make rational decisions. The economic view of consumer decision making is being criticized by researchers because a consumer is assumed to posses the following traits to behave rationally:
  - Ø Firstly, they need to be aware of all the alternatives present in the market
  - Ø Secondly, they must be able to efficiently rank the products as per their benefits.
  - Ø Lastly, they must also know the best alternative that suits them as per their requirements.

  In the world of perfect competition, consumers rarely have all the information to make the so called 'perfect decision.'
- **A Passive View:** Passive view is totally opposite to the economic view. Here, it is assumed that consumers are impulsive and irrational while making a purchase. The main limitation of this view is that consumers also seek information about the alternatives available and make rational

or wise decisions and purchase the products or services that provide the greatest satisfaction.

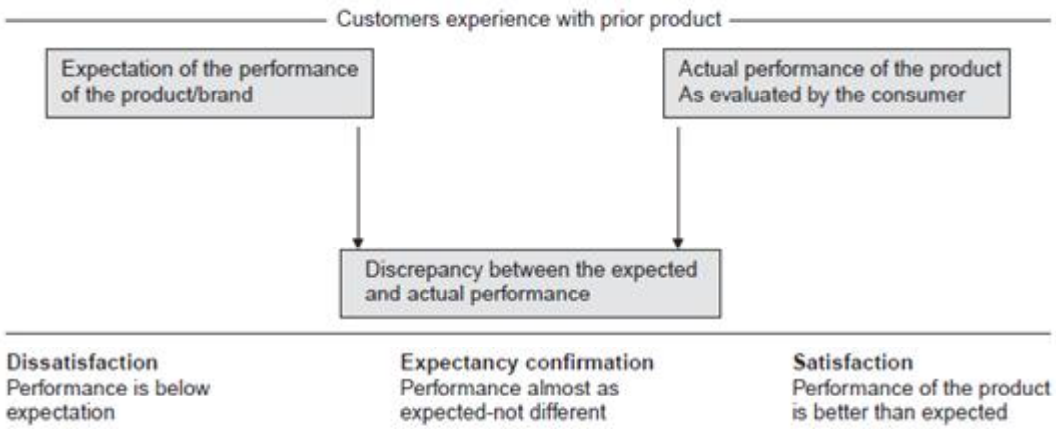
- **A Cognitive View:** The cognitive model helps individuals to focus on the processes through which they can get information about selected brands. In the framework of cognitive view, the consumer very actively searches for such products or services that can fulfill all their requirements.
- **An Emotional View:** Consumers are associated with deep feelings or emotions such as, fear, love, hope etc. These emotions are likely to be highly involving. Emotional view always complements their buying decision making process and behaviour.

13.10 POST PURCHASE BEHAVIOUR IN CONSUMER BUYING PROCESS

Post-purchase behavior is the reaction of the consumer; it gives an idea of his likes and dislikes, preferences and attitudes and satisfaction towards the product. It indicates whether or not the purchase motives have been achieved. Purchase is the means, and post purchase is the end. Post purchase behavior indicates whether or not repeat purchases will be made. It indicates whether long-term profits can or cannot be expected. All this can be found out by the post-purchase behavior of the customers. Post purchase is the last phase in the decision-making process as indicated by Figure below:

1. Pre-purchase activity which consists of;
   Problem recognition ⟶ Information search ⟶ Evaluation of alternative
2. Purchase process ⟶ { Intention to buy; Situational influences }
3. Post-purchase behaviour ⟶ { Maintenance; Repair; Usage cost }
4. Feedback to the marketeer ⟶ { Improves the products; Changes the marketing mix; gives more facilities to the consumer }

After purchasing a product, a customer is either satisfied or dissatisfied and his satisfaction or dissatisfaction depends on his expectation and the difference between the performances. Expectation gives the degree of customer's satisfaction/dissatisfaction with the product.



The above figure illustrates that if the performance is below expectations the customer is dissatisfied. However, there can be a match between the two, i.e., performance is in line with expectation. In another position is the product which surpasses the expectancy level, and performs much better than expected. This is a source of satisfaction and delight to the consumer.

Satisfaction or dissatisfaction cannot be generalized, i.e., there is no accepted definition of satisfaction or dissatisfaction. It depends on a number of factors outlined below:

- The presence of a particular factor may cause dissatisfaction. If the same factor is removed, it may not unnecessarily lead to satisfaction, i.e., greasy snacks may lead to dissatisfaction but, the absence of greasiness in the same snacks may not lead to satisfaction.
- If is a cumulative effect of many factors put together, the effect of individual factors cannot be gauged easily.
- Dissatisfaction may as such not lead to any complaint, but the dissatisfaction of a high degree may lead to complaint making of a complaint and, handling of satisfaction or dissatisfaction is a logical process. A person will not complain if he sees no use of doing so or feels that the complaint will not entertain. Also, consumers complain if it

is convenient for them to do so. They may not go out of their way to make complaints. Complaining also requires resources, i.e., time, money, knowledge, expertise,etc. which one may not possess.

13.11 CONSUMER DISSATISFACTION

The dissatisfaction by a consumer towards product may lead to:

- Discontinuing purchase of those products or brands by which a customer is dissatisfied.

  If he had been patronizing that product which has led to his dissatisfaction,he may change to a new brand or a new product.
- Negative Word of mouth,he speaks negatively about the product to his friends,peers and associates. Instead of propagating the positive aspects, he starts defaming the product/brand and shows his dissatisfaction openly.
- Lodges a complaint to the concerned authorities. Consumer Forum is one such agency that entertains such complaints. It may be a time-consuming process and difficult for all dissatisfied customers to resort to.
- Complaints directly to the seller and gets his claim settled or the product/ brand changed according to his liking or agrees for any such settlement.

It is the effort of every firm to produce satisfied customers. This is essential to fight increasing competition. Some dissatisfied customers however remain repeat purchasers, as they do not find a suitable alternative or, find that brand readily available and buy it due to force of habit or, because of low price. These purchasers may not be brand loyal. A brand loyal or a committed customer is attached to the brand emotionally. He believes in the firm and trusts the brand. Brand loyalty increases if the performance of the brand is more than the expected performance. In case of committed customers, they believe and have faith in line extension and brand extension of the firm. Committed customers also promote the product by positive word of mouth.

13.12 ROLE OF A MARKETER

The marketer has to watch that the customer is not dissatisfied. Through dissatisfaction, a lot of customers or clientele is lost and the marketer suffers losses. To avoid this, a marketer has to be on the lookout for causes of dissatisfaction and maintain and build consumer satisfaction.

This can be done by regularly monitoring consumer reaction. It can be done by interviewing the consumer or serving questionnaires and analyzing and interpreting them carefully. Besides this, a strict vigil is to be kept on the quality of the product. The quality should be the joint responsibility of marketing and production. If necessary, other departments should also be involved, and an integrated marketing procedure be followed.

In case of complaints, they must be given proper attention and redressal be made as soon as possible. All complaints must also be acknowledged to satisfy and assure the customer that appropriate action will be taken as soon as possible. While registering complaints, due courtesy should be shown to visiting customers and their complaints be entertained in a proper manner. To avoid dissatisfaction of the consumer, only realistic claims be madei.e., advertisement of a scooter giving 55 km. per liter may be unrealistic when it can give a maximum of 40 km. This unrealistic claim made by the manufacturer may lead to dissatisfaction of the consumer. The marketer must also help train the consumer for the proper use of the product.If the product is not used in the way it is meant to be used, it gets spoilt, and does not perform up to expectation leading to a discrepancy between the actual and the desired which leads to dissatisfaction of the consumer. A marketer must also assure after sales service and keep in touch with the consumer even after purchase, to give him the promised after sales facility, as well as, importance to the consumer. A marketer must also sell solutions instead of the product.He should emphasize upon the felt need and fulfill it, rather than emphasize the product.He should take care of the marketing concept. If this is not taken care of, it becomes injurious in the long run.

In case of dissatisfaction, post-purchase dissonance occurs which creates anxiety and the consumer feels psychologically uncomfortable. The consumer reduces the negative information received by the following methods:

- Ignoring the dissonance information.
- By selectively interpreting the information.
- By lowering the level of expectation.
- By seeking positive information about the brand.
- By convincing themselves that the purchase was right.

The disparity between performance and expectation is not great as simulation effect occurs and consumers ignore the product's defects and their evaluation is positive. If the disparity is great a contrast effect takes place and repeat purchase does not take place.

13.13 PRODUCT VS. SERVICE CONSUMPTION

Products are tangible while services are intangible and the consumption experience is more variable while traveling one trip can be pleasant, other trips may be unpleasant. Once the service can be courteous then it can be discourteous. It is therefore difficult for consumers to assess services rather than products. Therefore, marketers must reduce service variability and build a long-term customer relationship (Relationship Marketing).



CHECK YOUR PROGRESS

Q 1: Answer as directed:

1) What is outlet image?
2) What do you mean by spillover sales?
3) What is Extensive problem solving?
4) What is a cognitive view?
5) Consumers go on with their research for a particular period of time if they decide or if they want to buy a particular product. Ongoing activities basically show the work in progress. (Write

True or False)

6) The larger the gap between the consumers' expectations and the product's performance, the greater will be the consumer's dissatisfaction. (Write True or False)
7) The consumer reduces the negative information received by ignoring the_____ information. (fill in the blank)
8) Marketers must reduce service variability and build a long-term customer relationship which is called Relationship Marketing.(Write True or False)



13.14 LET US SUM UP

- Location creates an impact on the consumer. Travel time to reach the store is an important factor. If it takes more than 15 minutes to reach the store and if there are traffic jams in the way it is a hindrance or a barrier in the way of shopping for many consumers. The square feet of floor space is also an important factor.
- Consumers like ample space to move around and want to see the displays and the products closely. Location of the store may not be so much importance to many as may be other variables like the price, the variety, store quality and cleanliness and the ambience of the store. Stores in attractive surroundings are preferred to those in unattractive surroundings.



13.15 FURTHER READING

1) OrganisationalBehaviour - By Sultan Chand & Sons
2) Retaing Management- By Manish Bansal &Babitasigla
3) Narain'sOrganisationalBehaviour - By S. Sachdeva
4) Modern Marketing Principles and Practices - By R.S.N. Pillai &Bhagavathi



13.16 ANSWERS TO CHECK YOUR PROGRESS

Ans to Q No 1: It is the perception of the consumer about the store. It concerns all the attributes associated with the store.

Ans to Q No 2: Retailers use price advertising and attract people to stores. People usually come to buy the advertised items and also end up buying other products. A sale of additional items is known as spilloversales.

Ans to Q No 3: In extensive decision making, the consumers have no established or set criteria for evaluating a product in a particular category.

Ans to Q No 4: The cognitive model helps individuals to focus on the processes through which they can get information about selected brands.

Ans to Q No 5: True

Ans to Q No 6: True

Ans to Q No 7: Dissonance

Ans to Q No 8: True



13.17 MODEL QUESTIONS

Q 1: Why outlet selection is considered an important decision in retail sector? Discuss.

Q 2: Define outlet location and its size.

Q 3: Describe various factors to be considered when identifying the most attractive geographical location is selected for a new market.

Q 4: Explain post purchase behaviour in consumer buying process.

Q 5: Describe various views which come under consumer decision making process while buying a product or entertain a service.

Q 6: Discuss the parameters which describe the location as accessible location.

Q 7: Elaborate the various factors that affecting the site selection.

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UNIT 14: BUSINESS BUYING BEHAVIOUR

UNIT STRUCTURE

14.1 Learning Objectives

14.2 Introduction

14.3 Characteristics of Business Markets

14.4 Differences between Consumer and Business Buyer Behaviour

14.5 Buying Situations in Industrial/Business Market

14.6 Buying Roles in Industrial/Business Marketing

14.7 Factors that Influence Business Buyers

14.8 Steps in Business Buying Process

14.9 Let Us Sum Up

14.10 Further Reading

14.11 Answers to Check Your Progress

14.12 Model Questions

14.1 LEARNING OBJECTIVES

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

- explain the meaning of a business buyer
- know the characteristics of business markets
- distinguish between consumer and business buyer behaviour
- know buying situations in business market
- know buying roles in business market
- identify the various factors that influence business buyers
- describe the essential steps in business buying process.

14.2 INTRODUCTION

Business buyer behaviour refers to the buying behaviour of the business organizations that buy goods and services for use in the production of other products and services or to resell or rent them to others for a profit. Business buyer behaviour also refers to the decision-making process by which formal organizations establish the need for purchased products and

services and identify, evaluate and choose among alternative brands and suppliers from the business market. In this Unit, we shall discuss all these aspects of business markets and business buyer behaviour.

14.3 CHARACTERISTICS OF BUSINESS MARKETS

In the business market, the buyer has certain characteristics. They are:

- **Fewer, larger buyers:** The business marketer normally deals with far fewer but far larger buyers than the consumer marketer does. There are more transactions in business markets because business products are often costly and complex. There are also fewer buyers in business markets, but they spend much more than the typical consumer does and have more-rigid product standards.
- **Close supplier-customer relationships:** Many people within an organization can be part of the buying process and have a say in ultimately what gets purchased, how much of it, and from whom. Having different people involved makes business marketing much more complicated. And because of the quantities each business customer is capable of buying, the stakes are high. Hence, it requires professional purchasing.
- **Many buying influences:** Purchases of products like planes are risky for companies. The buyers are concerned about many factors, such as the safety, reliability, and efficiency of the planes. They also generally want the jets customized in some way. Consequently, a lot of time and effort is needed to close these deals.
- **Multiple sales calls:** The daily task of a company consists of multiple sales calls. Each of these activities requires a salesperson. And each of these companies has a marketing department. Another characteristic of business market is the level of personal selling that is required. Salespeople personally call on business customers to a far greater extent than they do to individual consumers.
- **Derived demand:** Derived demand is demand that springs from, or is derived from, a secondary source other than the primary buyer of a

product. For business markets, this source is consumers. Fluctuating demand is another characteristic of business markets: a small change in demand by consumers can have a big effect throughout the chain of businesses that supply all the goods and services that produce it.



CHECK YOUR PROGRESS

Q.1: Why is purchase of products like helicopters risky?

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Q.2: What is derived demand?

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14.4 DIFFERENCES BETWEEN CONSUMER AND BUSINESS BUYER BEHAVIOUR

There are some distinct differences between Consumer and Business Buyer Behaviour. The source of these differences is the complex and interdependent relationships between business buyers and sellers and their relative positions in the supply chain. The differences between consumer and business buyer are.

- **Business Needs vs. Consumer Wants:** Most consumer goods are discretionary products people may want but do not necessarily need, for instance entertainment services, consumer electronics or vacation travel. Consumer buying behaviour is based on perceived characteristics such as style, fashion or peer acceptance. Emotional factors play a big part in consumers' purchase decisions. In contrast, businesses usually come prepared to buy a solution to a need i.e. products that are required

for daily operations or to solve a specific business problem. It is a matter of finding the supplier who can best fulfil that need.

- **Smaller & Highly Specialized Markets:** Business marketers generally sell to narrower vertical markets substantially smaller than most consumer markets. Business marketers may target only a few hundred prospects but consumer markets cater to millions. Due to the smaller size it is often possible to identify and profile all the prospects within a particular business market and approach each with customized marketing communications and in-person sales contact.
- **Individual Business Buyers Represent Higher Value:** Business marketers focus on fewer, more intimate and longer-term customer relationships. Sales involve significantly higher amounts to smaller groups of customers with exponentially greater lifetime values. A few large customers can easily account for the majority of a business company's revenue.
- **Closer Proximity & Higher Degree of Independence:** In consumer marketing, the relationship often ends with a remote transaction made through a retailer. The manufacturer rarely makes personal contact with the consumer. In business marketing, the buyer-seller proximity is reversed. In most cases the supplier visits the customer in person and establishes a true one-to-one relationship with the customer over an extended period of time.
- **Product Importance:** The physical product is of greatest importance in consumer markets. In business markets, the purchase extends beyond the product and includes an array of economic, technical and personal relationships between the buyer and the seller. While the product quality is important, this must be matched by quality and reliability of the relationship. The buyer depends on the supplier for many things beyond the product itself, including an assured supply of materials, service, efficient order handling, delivery and often extension of credit.
- **Stronger Customer-Centric Focus:** Marketing to business buyers requires that all marketing decisions are based on a complete and

accurate understanding of customers' needs. Business buyer's product companies are usually closer to their customers and more knowledgeable about their needs than the typical consumer company.

- **Expert Buyers & Multiple Decision Makers:** Consumer purchases typically involve an individual decision maker in a single-step transaction. Compared with consumer decision making, business buying behaviour is characterized by a formal multi-step process conducted professionally over a period of time, involving many people interacting within a formal organization.
- **Customers' Product Knowledge:** Business buyers are comparatively more sophisticated and educated than consumers. The business customer has years of training in his or her field and often knows more about the product and its application than the individual consumer.



CHECK YOUR PROGRESS

Q.3: What are the expectations of business buyers from their suppliers?

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14.5 BUYING SITUATIONS IN INDUSTRIAL/BUSINESS MARKET

In Industrial or business market, the stages an organization goes through and the number of people involved depend on the buying situation. There are three types of buying situations. They are (i) Straight Re-purchase (ii) Modified Re-purchase (iii) New Task

- **Straight Re-purchase:** It is a business buying situation where a buyer orders things without any changes or modification. A straight rebuy is a situation in which a purchaser buys the same product in the same quantities from the same vendor. Nothing changes, in other words. Post purchase evaluations are often skipped, unless the buyer notices

an unexpected change in the offering such as a deterioration of its quality or delivery time.

- **Modified Re-purchase:** It is a business buying situation when the buyer really desires to change product requirements, costs, terms, or perhaps dealer. A modified rebuy occurs when a company wants to buy the same type of product it has in the past but make some modifications to it. Maybe the buyer wants different quantities, packaging, or delivery, or the product customized slightly differently. A modified rebuy does not necessarily have to be made with the same seller, however.
- **New Task (new-buy):** A new-buy selling situation occurs when a firm purchases a product for the first time. Generally speaking, all the buying stages we described in the last section occur. New buys are the most time consuming for both the purchasing firm and the firms selling to them. If the product is complex, many vendors and products will be considered and many Requests for Proposals (RFPs) will be solicited.



CHECK YOUR PROGRESS

Q.4: Give an example each of straight and modified repurchase.

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14.6 BUYING ROLES IN INDUSTRIAL/BUSINESS MARKETING

In a business organization, there are different situations of purchase and different personnel are involved in the process of taking decisions. Before identifying the individuals and groups involved in the buying decision process, a marketer must understand the roles of buying centre members. Understanding the buying centre roles helps industrial marketers to develop an effective promotion strategy. Within any organisation, the buying centre will vary in the number and type of participants for different classes of products.

But on an average a buying center of an organisation has the following seven members or a group of members who play these roles:

- **Initiators:** Usually the need for a product/item and in turn a supplier arises from the users. But there can be occasions when the top management, maintenance or the engineering department may also recognise or feel such need. These people who "initiate" or start the buying process are called initiators.
- **Users:** Under this category come users of various products. If they are technically sound like the Research & Development, engineering who can also communicate well. They play a vital role in the buying process. They also act as initiators.
- **Buyers:** They are people who have formal authority to select the supplier and arrange the purchase terms. They play a very important role in selecting vendors and negotiating and sometimes help to shape the product specifications. The major roles or responsibilities of buyers are obtaining proposals or quotes, evaluating them and selecting the supplier, negotiating the terms and conditions, issuing of purchase orders, follow up and keeping track of deliveries.
- **Influencers:** Technical personnel, experts and consultants and qualified engineers play the role of influencers by drawing specifications of products. It can also be the top management when the cost involved is high and benefits in the long term. Influencers provide information for strategically evaluating alternatives.
- **Deciders:** Among the members, the marketing person must be aware of the deciders in the organisation and try to reach them and maintain contacts with them. The organisational formal structure might be deceptive and the decision might not even be taken in the purchasing department. Generally, for routine purchases, the purchase executive may be the decider. But for high value and technically complex products, senior executives are the deciders. People who decide on product requirements/specifications and the suppliers are deciders.
- **Approvers:** People who authorise the proposed actions of deciders or buyers are approvers. They could also be personnel from top

management or finance department or the users.

- **Gate Keepers:** A gatekeeper is like a filter of information. He is the one the marketer has to pass through before he reaches the decision makers. They allow only that information favourable to their opinion to flow to the decision makers. By being closest to the action, purchasing managers or those persons involved in a buying centre may act as gatekeepers. Information is usually routed through them. They have the power to prevent the sellers or information from reaching members of the buying centre. They could be at any level and even be the receptionists and telephone operators.

14.7 FACTORS THAT INFLUENCE BUSINESS BUYERS

There are a lot of factors that influence organizational buyers and their buying behaviour. The factors may be divided into the following categories i.e. external environmental, internal organizational factors, interpersonal and individual Factors in addition to the situational factors. The factors are shown in the Exhibit.

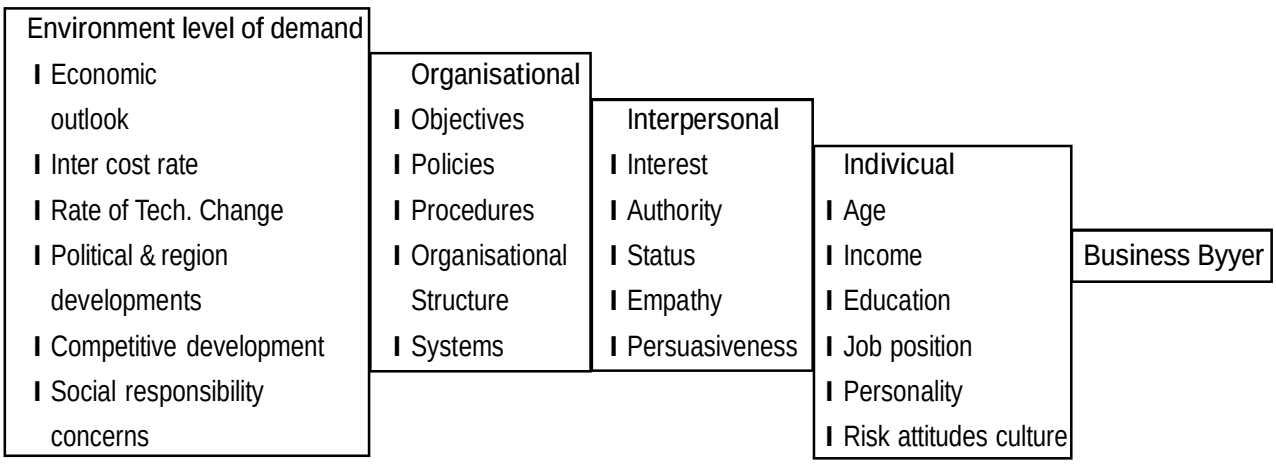


Fig. 4.1: Factors influencing Business Buyers

- **External Environmental Factors:** As a major constraint under which a business operates, the external environment impacts nearly every aspect of a business, including its buying decisions. Here's a list of the external elements that affect organizational buying.
  - Ø **Economic Conditions:** The fluctuations in the money markets and the interest rates have a major impact on the buying strategies.

The interest rates and organizational buying have an inverse relation; in most cases, an increase in the interest rates may bring about a drop in the buying.

- **Regulatory Changes:** Any changes in the corporate laws, rules and regulations will also influence how, when and what the organizations buy. There are also regulatory changes that may affect only a particular industry and accordingly the related organizations will change their buying patterns to stay in-line with the new regulations.
- **Political Environment:** A change of the government or policy has a direct impact on the economic scenario, and this ultimately translates into a shift in the organizational buying patterns as well.
- **Social Environment:** Societies and cultures are ever evolving, and every business has to change its practices and procedures to meet up with the societal changes. For instance with the rise in the number of animal lovers, pure leather suppliers have seen a slump in their business. The clothing and footwear manufacturers have shifted to artificial leather suppliers. This points out how the social environment can affect the buying patterns of organizations.
- **Competition:** Today's business is all about beating competition and staying ahead. So when an organization's competitors move on to a newer product or service, or if they get to enjoy a competitive edge because of their suppliers, it's very likely for the organization to change its trends too and thus its buying pattern will change accordingly.

The external environment is the first of the four major factors that influence organizational behaviour as shown in the Exhibit.

- **Internal Organizational Factors:** More than the external factors, it's the internal organizational factors that influence organizational buying. These internal factors are the:
  - **Organization's Goals and Objectives:** The goals and objectives of an organization are major determinants as to how and what the organization will purchase. An organization that wants to capture a

bigger chunk of the market by selling cheaper stuff is more likely to look for suppliers who can supply larger quantities at a low price. However, a company whose goal is to deliver quality products may have a very contrasting buying pattern, and they will focus more on the quality issues than on the price advantage.

- **Organizational Structure:** Hierarchical and management structures vary from one organization to another. While some organizations have a well-established purchase department, others may assign this job to the HR or Administration department. There are also organizations where the purchase decisions must be taken collectively by all concerned departments.
- **Policies and Procedures:** How the purchase order is routed, depends on the organization's policies. How does the buying procedure begin, who will participate and who has the ultimate authority to decide on the purchase are all dependent on the policies and procedures of the organization. Some organizations prefer to invite public bids, while others may contact only the few suppliers on their list.
- **Technological Levels:** Whenever making new purchases, organizations take into consideration their current technology. Some purchases are meant to replace the current technology with a newer version, so their buying decision will be influenced by what level of technology they currently own.
- **Manpower Skills:** Whether the organization has the skilled manpower to make proper and optimum use of the new purchases being made, especially equipment and machinery, is another issue that influences organizational buying.

Interpersonal and Individual Factors: Since organizational buying decisions are never a one person affair, interpersonal relationships among the decision makers plays a vital role in this type of buying.

- **Participation and Authority:** In organizational buying situations, there are always re-defined rules as to who can participate in the purchase decision and who the ultimate deciding authority is.

- **Interpersonal Conflict:** Interpersonal conflicts and conflicts of interest amongst the decision makers often results in delays and changes. Thus, the kind of thinking and the kind of relationship the decision makers share have a major role to play in corporate buying.
- **Education and Awareness:** The educational background of the decision makers and their level of awareness have a major bearing on what type of purchases they will make.
- **Risk Taking Ability:** If the buying committee constitutes high risk takers, they will not be averse to the idea of choosing the latest technology or new suppliers. While on the other hand, decision makers with a low risk taking tolerance are more likely to stick to proven and tested technology or to well-known and well established suppliers.
- **Individual Factors:** Individual factors such as age, cultural background and social status, of the members on the buying team, also influence the buying decisions.

Situational Factors: In this final section we'll take a look at some of the situational factors that can influence organizational buyers.

- **Time Factor:** Sometimes, organizations don't have all the time to follow the detailed buying procedure. If the organization needs a replacement for equipment that broke down suddenly, it may decide to place its order with some existing supplier or a supplier that is at close proximity.
- **Current Financial Situation:** If the organization is crunched for cash, it may decide to place its order with one of its existing supplier who offers extended credit. Also, if the organization cannot spare out enough money for a certain purchase, it may opt for a readily available cheaper version that fits into its budget.
- **Availability:** Some buying decisions can wait while others cannot, thus if the supplier cannot make available the exact product by the desired date, the organizational buyers may shift to a new supplier or to a more readily available alternative.

- **Special Offers:** Special offers being given by a supplier may also be one of the situational factors affecting the buying decision.

14.8 STEPS IN BUSINESS BUYING PROCESS

Stages in the Business Buying Process are similar to the stages in the consumer's buying process.

- **A need is recognized:** Someone recognizes that the organization has a need that can be solved by purchasing a good or service. Users often drive this stage, although others can serve the role of initiator. In the case of the electronic textbook, it could be, for example, the professor assigned to teach the online course. However, it could be the dean or chairman of the department in which the course is taught.
- **The need is described and quantified:** Next, the buying center, or group of people brought together to help make the buying decision, work to put some parameters around what needs to be purchased. In other words, they describe what they believe is needed, the features it should have, how much of it is needed, where, and so on. For more technical or complex products the buyer will define the product's technical specifications. Will an off-the-shelf product do, or must it be customized?
- **Potential suppliers are searched for:** At this stage, the people involved in the buying process seek out information about the products they are looking for and the vendors that can supply them. Most buyers look online first to find vendors and products, then attend industry trade shows and conventions and telephone or e-mail the suppliers with whom they have relationships. Purchasing agents often play a key role when it comes to deciding which vendors are the most qualified.
- **Qualified suppliers are asked to complete responses to requests for proposal (RFPs):** Each vendor that makes the cut is sent a request for proposal (RFP), which is an invitation to submit a bid to supply the good or service. An RFP outlines what the vendor is able to offer in terms of its product– its quality, price, financing, delivery, after-sales service, whether it can be customized or returned, and even the

product's disposal, in some cases. Good sales and marketing professionals do more than just provide basic information to potential buyers in RFPs. They focus on the buyer's problems and how to adapt their offers to solve those problems.

- **The proposals are evaluated and supplier(s) selected:** During this stage, the RFPs are reviewed and the vendor or vendors are selected. RFPs are best evaluated if the members agree on the criteria being evaluated and the importance of each. Different organizations will weigh different parts of a proposal differently, depending on their goals and the products they purchase. Reliability of supply is extremely important because delays in the supply chain can shut down a company's production of goods and services and cost the firm its customers and reputation.
- **An order routine is established:** This is the stage in which the actual order is put together. The order includes the agreed-upon price, quantities, and the expected time of delivery, return policies, warranties, and any other terms of negotiation.
- **A post purchase evaluation is conducted and the feedback provided to the vendor:** Just as consumers go through an evaluation period after they purchase goods and services, so do businesses. The buying unit might survey users of the product to see how satisfied they were with it.



14.9 LET US SUM UP

In this unit, we have discussed the following aspects:

- Business buyer behaviour refers to the buying behaviour of the business organizations that buy goods and services for use in the production of other products and services or to resell or rent them to others for a profit.
- The various Characteristics of Business Markets: (i) Fewer, larger buyers, (ii) Close supplier-customer relationship, (iii) Many buying influences, (iv) Multiple sales calls, (v) Derived demand:

- There are some differences between consumer and business buyer behaviour. The source of these differences is the complex and interdependent relationships between business buyers and sellers and their relative positions in the supply chain. We have also discussed about the buying situations. There are three types of buying situations. They are: (i) Straight Re-purchase, (ii) Modified Re-purchase, (iii) New Task
- In a business organization, there are different situations of purchase and different personnel are involved in the process of taking decisions. Within any organisation, the buying centre will vary in the number and type of participants for different classes of products. But on an average a buying center of an organisation has the following seven members or a group of members who play the roles: they are: (1) Initiators, (2) Users, (3) Buyers, (4) Influencers, (5) Deciders, (6) Approvers, (7) Gate Keepers.
- There are a lot of factors that influence organizational buyers and their buying behaviour. They are basically two broad categories i.e. External and Internal factors, Interpersonal and Individual Factors and Situational Factors. We have also discussed that business buying takes place through some steps.



14.10 FURTHER READING

1) Kotler, Philip; Keller, Kevin Lane; Koshy, Abraham and Jha, Mithileshwar. (2007). *Marketing Management*. Pearson Education.
2) Ramaswami, V. S. and Namakumari, S. (2003). *Marketing Management*. Macmillan India Limited.
3) Schiffman, Leon G. and Kanuk, Laslie Lazar. (1997). *Consumer Behaviour*. (Ninth Edition) Prentice Hall International Edition.



14.11 ANSWERS TO CHECK YOUR PROGRESS

Ans to Q No 1: Purchases of products like helicopters are risky for companies. The buyers are concerned about many factors, such as

the safety, reliability, and efficiency of the planes. They also generally want the helicopters to be customized. Consequently, a lot of time and effort is needed to close these deals.

Ans to Q No 1: Derived demand is demand that springs from, or is derived from, a secondary source other than the primary buyer of a product. For business markets, this source is consumers. For example demand for paints for Maruti Udyog will depend on demand for cars in the consumer market.

Ans to Q No 1: The business buyer expects from the supplier many things beyond the product itself, including an assured supply of materials, service, efficient order handling, delivery and often extension of credit.

Ans to Q No 1: Straight repurchase may be purchase of office stationaries on a routine basis with no change. Modified purchase may be purchase of new packaging materials to launch a product variant of a higher dimension.



14.12 MODEL QUESTIONS

Q 1: Define a business market.

Q 2: Compare between consumer and business buyer behaviour.

Q 3: Describe the various buying situations in business market.

Q 4: Explain the buying roles in business marketing.

Q 5: Describe the factors that influence business buying.

Q 6: Explain the steps in business buying process.



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17. Narain'sOrganisationalBehaviour - By S. Sachdeva
18. Schiffman, Leon G. and Kanuk, Laslie Lazar. (1997). Consumer Behaviour. (Ninth Edition) Prentice Hall International Edition.

Name of the Paper: **Course Code:**

Centre for Internal Quality Assurance (CIQA)
Krishna Kanta Handiqui State Open University
City Office, Housefed Complex, Guwahati- 06

Learner's Feedback on Course

Dear Learner,

Regarding the course as mentioned above, we would like to know your opinions and comments so as to improve the quality of self learning materials in future. Please respond to the following statements by ticking the number you feel most reflect your opinion. After completion of the additional comments, please detach the page and send/mail the same to us at the address given below.

The Director, Centre for Internal Quality Assurance, KKHandiqui State Open University
Housefed Complex, Dispur, Guwahati- 781006
(E-mail id: ciqa@kkhsou.in)

1. Approximately how many hours did you spend for studying the units in the course? | | | |
2. Please give your opinions (by √ mark) to the following items based on your reading of the block:

Sl. No.	Statements	Strongly Agree	Agree	Neither Agree nor Disagree	Disagree	Strongly Disagree
I.	The SLMs of the course fulfil the learning objectives set out in the beginning of each unit					
II.	The units of the SLM could satisfy my academic needs and expectations					
III.	The Unit writers have excellent knowledge about the course contents					
IV.	Language and contents of the units were presented at a level which I could readily understand					
V.	Ample opportunity for participation in the activities provided in the units					
VI.	Used enough Illustrations (Diagrams, tables etc.) for conceptual clarity					
VII.	Quality of content is engaging, relevant, and up-to-date					
VIII.	The self check questions are very helpful					
IX.	The Possible/model questions and the answers to check my progress have benefited me a lot					

Additional Comments: *(Please feel free to provide your open comments)*

1. Which aspects of the SLM, according to you, worked well?

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2. What sort of changes/improvements do you feel KKHSOU could implement to improve the overall quality of the SLM?

Thank you for taking the time to complete this form.

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