Consumer Behaviour

(As per the New Syllabus of Mumbai University for S.Y. BMS, Semester III)

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PREFACE

It gives us a great pleasure to present the first edition of the book on “Consumer Behaviour”. This book is written as per the revised syllabus for the teachers and students of S.Y. BMS.

We have covered all the topics under the syllabus giving practical insight into the subject. We sincerely request the teachers and students to give us your valuable feedback.

We thank our publisher M/s Himalaya Publishing House Pvt. Ltd. for giving us the opportunity of writing this book. We would also like to take this opportunity to specially thank Mr. S.K. Srivastava of Himalaya Publishing House Pvt. Ltd. for constantly encouraging and supporting us.

Authors
## SYLLABUS

### Consumer Behaviour

[60 Lectures: 3 Credit]

#### Learning Objectives:

1. The basic objective of this course is to develop an understanding about the consumer decision making process and its applications in marketing function of firms.

2. This course is meant to equip undergraduate students with basic knowledge about issues and dimensions of Consumer Behaviour. Students are expected to develop the skill of understanding and analysing consumer information and using it to create consumer-oriented marketing strategies.

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Learning Objectives
After going through this chapter, you will be able to understand:

- What is Consumer Behaviour?
- Need and importance of CB.
- Basic components and applications of CB.

INTRODUCTION

Though similar, consumers are unique in themselves; they have needs and wants which are varied and diverse from one another; and they have different consumption patterns and consumption behaviour. The marketer helps satisfy these needs and wants through product and service offerings. For a firm to survive, compete and grow, it is essential that the marketer identifies these needs and wants, and provides product offerings more effectively and efficiently than other competitors. A comprehensive yet meticulous knowledge of consumers and their consumption behaviour is essential for a firm to succeed. Herein, lies the essence of Consumer Behaviour, an interdisciplinary subject, that emerged as a separate field of study in the 1960s. Peter Drucker, a leading management expert, once stated that the aim of marketing is to know and understand the consumer so well that the product or service fits him and sells itself. Ideally, marketing should result in a consumer who is ready to buy. All that should be needed then is to make the product or service available. In short, consumer or customer satisfaction is the key to an organisational success.
DEFINING CONSUMER BEHAVIOUR

Consumer Behaviour may be defined as “the interplay of forces that takes place during a consumption process, within a consumers’ self and his environment. This interaction takes place between three elements, viz., knowledge, affect and behaviour; it continues through pre-purchase activity to the post purchase experience; it includes the stages of evaluating, acquiring, using and disposing of goods and services”.

The “consumer” includes both personal consumers and business/industrial/organisational consumers.

Consumer behaviour explains the reasons and logic that underlie purchasing decisions and consumption patterns; it explains the processes through which buyers make decisions. The study includes within its purview, the interplay between cognition, affect and behaviour that goes on within a consumer during the consumption process: selecting, using and disposing off goods and services.

Cognition: This includes within its ambit the “knowledge, information processing and thinking” part; It includes the mental processes involved in processing of information, thinking and interpretation of stimuli (people, objects, things, places and events). In our case, stimuli would be product or service offering; it could be a brand or even anything to do with the 4Ps.

Affect: This is the “feelings” part. It includes the favorable or unfavorable feelings and corresponding emotions towards a stimuli (e.g.m towards a product or service offering or a brand). These vary in direction, intensity and persistence.

Behaviour: This is the “visible” part. In our case, this could be the purchase activity: to buy or not a buy (again specific to a product or service offering, a brand or even related to any of the 4Ps).

OTHER DEFINITIONS

“The behaviour that consumers display in searching for, purchasing, using, evaluating and disposing of products and services that they expect will satisfy their needs.” – Schiffman and Kanuk

“…..the decision process and physical activity engaged in when evaluating, acquiring, using or disposing of goods and services.” – Loudon and Bitta

“The study of consumers as they exchange something of value for a product or service that satisfies their needs” – Wells and Prensky

“Those actions directly involved in obtaining, consuming and disposing of products and services including the decision processes that precede and follow these actions.” – Engel, Blackwell, Miniard

“The dynamic interaction of effect and cognition, behaviour and the environment by which human beings conduct the exchange aspects of their lives.” – American Marketing Association

NATURE OF CONSUMER BEHAVIOUR

1. The subject deals with issues related to cognition, affect and behaviour in consumption behaviours, against the backdrop of individual and environmental determinants. The individual determinants pertain to an individual’s internal self and include psychological
components like personal motivation and involvement, perception, learning and memory, attitudes, self-concept and personality, and decision making. The environmental determinants pertain to external influences surrounding an individual and include sociological, anthropological and economic components like the family, social groups, reference groups, social class, culture, sub-culture, cross-culture, and national and regional influences.

2. The subject can be studied at micro or macro levels depending upon whether it is analysed at the individual level or at the group level.

3. The subject is interdisciplinary. It has borrowed heavily from psychology (the study of the individual: individual determinants in buying behaviour), sociology (the study of groups: group dynamics in buying behaviour), social psychology (the study of how an individual operates in group/groups and its effects on buying behaviour), anthropology (the influence of society on the individual: cultural and cross-cultural issues in buying behaviour), and economics (income and purchasing power).

4. Consumer behaviour is dynamic and interacting in nature. The three components of cognition, affect and behaviour of individuals alone or in groups keeps on changing; so does the environment. There is a continuous interplay or interaction between the three components themselves and with the environment. This impacts consumption pattern and behaviour and it keeps on evolving and it is highly dynamic.

5. Consumer behaviour involves the process of exchange between the buyer and the seller, mutually beneficial for both.

6. As a field of study, it is descriptive and also analytical/interpretive. It is descriptive as it explains consumer decision making and behaviour in the context of individual determinants and environmental influences. It is analytical/interpretive, as against a backdrop of theories borrowed from psychology, sociology, social psychology, anthropology and economics, the study analyses consumption behaviour of individuals alone and in groups. It makes use of qualitative and quantitative tools and techniques for research and analysis, with the objective is to understand and predict consumption behaviour.

7. It is a science as well as an art. It uses both, theories borrowed from social sciences to understand consumption behaviour, and quantitative and qualitative tools and techniques to predict consumer behaviour.

**SCOPE OF CONSUMER BEHAVIOUR**

The study of consumer behaviour deals with understanding consumption patterns and behaviour. It includes within its ambit the answers to the following:

- ‘What’ the consumers buy: goods and services
- Why’ they buy it: need and want
- ‘When’ do they buy it: time: day, week, month, year, occasions, etc.
- ‘Where’ they buy it: place
- ‘How often they buy’ it: time interval
- ‘How often they use’ it: frequency of use
The scope of consumer behaviour includes not only the actual buyer but also the various roles played by him/different individuals.

Modern marketing is customer oriented, therefore, the study of customers' behaviour is vital in framing product policies, price policies, decision regarding sales promotion. The rationale of any business enterprise is to provide value to its customer. Therefore, the study of consumer behaviour is of permanent importance for a marketing person to be able to deliver value to consumer.

**Product Policies**

The consumer behaviour gives an insight into the various factors which prompt him to purchase and like a particular product. If it is known that it is the packing which attracts the buyer, then the producer will pay special attention to the packing of his products.

**Price Policies**

The buyers of some products purchase only because the particular articles are cheaper than the competitive articles available in the market. In such a case the price of such products cannot be raised. On the other hand, some other articles are purchased because it enhances the prestige and social status of persons. The price of such things can easily be raised.

**Decision Regarding Channels of Distribution**

The goods which are sold and purchased solely on the basis of low price must have cheap and economical distribution channels. Thus, decision regarding channels of distribution are taken on the basis of consumer behaviour.

**Decision Regarding Sales Promotion**

A study of consumer behaviour is also vital in making decisions regarding sales promotion. It enables the producers to know what motive prompts buyers to make purchases and the same are utilised in advertising media to awaken desire to purchase.

**NEED OR IMPORTANCE OF CONSUMER BEHAVIOUR**

The modern marketing management tries to solve the basic problems of consumers in the area of consumption. To survive in the market, a firm has to be constantly innovating and understand the latest consumer needs and tastes. It will be extremely useful in exploiting marketing opportunities and in meeting the challenges that the Indian market offers. It is important for the marketers to understand the buyer behaviour due to the following reasons.

- The study of consumer behaviour for any product is of vital importance to marketers in shaping the fortunes of their organisations.
- It is significant for regulating consumption of goods and thereby maintaining economic stability.
- It is useful in developing ways for the more efficient utilisation of resources of marketing. It also helps in solving marketing management problems in a more effective manner.
- Today, consumers give more importance on environment-friendly products. They are concerned about health, hygiene and fitness. They prefer natural products. Hence, detailed study on upcoming groups of consumers is essential for any firm.
• The growth of consumer protection movement has created an urgent need to understand how consumers make their consumption and buying decision.
• Consumers’ tastes and preferences are ever changing. Study of consumer behaviour gives information regarding colour, design, size, etc. which consumers want. In short, consumer behaviour helps in formulating the production policy.
• For effective market segmentation and target marketing, it is essential to have an understanding of consumers and their behaviour.

BASIC COMPONENTS OF CONSUMER BEHAVIOUR

Decision making (Cognitive and Affect): This includes the stages of decision making: Need recognition, Information search, Evaluation of alternatives, Purchase activity, Post-purchase behaviour.

Actual purchase (Behaviour): This includes the visible physical activity of buying of goods and/or service. It is the result of the interplay of many individual and environmental determinants which are invisible.

Individual determinants and environmental influences: The environmental factors affect the decision process indirectly, through way of affecting individual determinants.

Buying roles: Actual Buyer vis-à-vis other users. There are five buying roles, viz., Initiator, Influencer, Decider, User and Buyer. The initiator is the person who identifies that there exists a need or want; the influencer is the one who influences the purchase decision, the actual purchase activity and/or the use of the product or service; the decider is the one who decides whether to buy, what to buy, when to buy, from where to buy, and how to buy; the buyer is the one who makes the actual purchase; and, the user is the person(s) who use the product or service. These five roles may be played by one person or by different persons. A person may assume one or more of these roles. This would depend on the product or service in question.

Examples: Let us take an example.

A child goes to a kindergarten school. She comes back home and asks her parents to buy her a set of colour pencils and crayons. Now, the roles played are:

1. Initiator: The child in nursery school
2. Influencer: A fellow classmate
3. Decider: The father or the mother
4. Buyer: The father or the mother
5. User: The child

APPLICATION OF CONSUMER BEHAVIOUR
An understanding of consumer behaviour is necessary for long-term success and survival of a firm. It is viewed as the edifice of the marketing concept, an important orientation in marketing management.

According to the marketing concept, 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. It is essentially a customer-centred philosophy, which aims at understanding customer needs and wants, providing the right product and service, and deriving customer satisfaction; “make what you can sell” rather than “sell what you make.” Strategies for a firm keeping in view the consumer and his environment. It has a number of applications; the main application bases are as follows:

1. Analyse the Environment: The knowledge of consumer behaviour can be applied to help identify opportunities and fight threats. The opportunities could be in terms of newer customers, newer markets, unfulfilled needs and wants (through a study of consumer individual determinants and other environmental influences). The threats could be fought by developing and implementing appropriate marketing strategies to best fit the environment. The marketing strategies need to be dynamic and constantly evolving keeping in view the uncertainty in the environment; Environmental uncertainty is a function of complexity and dynamism. Complexity is defined in terms of the number, strength and interrelatedness of the various factors in the environment that a firm has to deal with. Dynamism relates to how quickly the changes take place in the environment.

2. Segmentation, Targeting and Positioning: The study of consumer behaviour may be applied to segment the market, select the target market and position the product or service offering. Identifying the target segment, understanding their needs, providing the right product and service offering and communicating about the offering – all of these help a marketer succeed in the long term and ensure his survival and success in a changing environment.

   (a) Segment the market: The marketer needs to identify distinct customer groups with needs and wants, classify them on the basis of descriptive characteristics and behavioural dimensions. The descriptive characteristics may take forms of age, gender, income, occupation, education, family size, family life cycle, gender, lifestyle, personality, religion, generation, geography, nationality, and social class. The behavioural dimensions take the forms of benefits, uses, use occasion, usage rates, and loyalty status.

   (b) Select target market: The marketer then selects one or more markets to enter. The segment(s) that should be targeted should be viable; there should be a fit between the market attractiveness and the company’s objectives and resources. The marketer would be able to assess the viability of a segment on the basis of the following criteria, viz., measurability, substantial ability, accessibility, differentiability, and action ability.

   (c) Position: The product offering in the mind of the customers: The marketers should be able to communicate the distinct and/or unique product characteristics.

3. Designing the Marketing Strategy: There exists an interrelation between the Consumer, the Environment and the Marketing strategy.
(a) **Consumer:** The consumer has his needs and wants as well as product preferences; Thus, there exists an interplay of Cognition (knowledge about products and alternatives), Affect (feelings of favourableness and unfavourableness) and Behaviour (action: buy or not to buy).

(b) **Environment:** This refers to forces in the environment, which make the environment complex and dynamic.

(c) **Marketing strategies:** This implies setting up of goals and then achieving them through the design of an appropriate marketing mix.

The Marketing Strategy should be designed to influence consumers (Cognition, Affect and Behaviour) and be influenced by them. It should be flexible and ever evolving with changes in the customer needs and wants; as well as, changes in the environment in which it operates. The knowledge of consumer behaviour can be applied to develop a “best fit” between consumer needs and wants, the environment in which the firm operates; and, the firms’ goals and objectives.

4. **Designing the Marketing Mix:** 4Ps The study of consumer behaviour may be applied to design the 4Ps.

(a) **Product:** The term ’product’ includes both tangible products and intangible services. The issues to address consist of name (brand), size, shape, features, labelling, packaging, accessories and supplementary products, terms of sale and services, after-sale services, etc.

(b) **Price:** This includes the pricing of the product offering. The major components include, forms of payment, terms and conditions of payment, discounts, price sensitivity, differential prices and customer reaction and imagery (price increase and customer reaction, price decrease and customer reaction).

(c) **Place and Distribution:** This includes the marketing channel, and comprises decisions regarding choice of channel (direct or indirect), location, accessibility and availability of product offering, wholesaling, retailing, logistics, etc.

(d) **Promotion:** This includes marketing communication, and the major issues comprise of decisions on communication/promotion mix, the message and media strategy (the content, appeal and context).

5. **Application in Governmental and Non-profit Organisations and Social Marketing:** The knowledge of consumer behaviour finds relevance even in governmental and non-profit organisations and social marketing. Governmental and non-profit organisations have the society as its customers and need to understand them so as to be able to serve them better. Social marketing involves propagation of ideas; attempts at such circulation and spread of ideas for moral and social upliftment can be more successful if there is a proper understanding of the these consumers (i.e., the public and society).

**THE INTERDISCIPLINARY NATURE OF CONSUMER BEHAVIOUR**

As an interdisciplinary area of study, the subject borrows heavily from psychology, sociology; social psychology, anthropology and economics.

1. **Psychology:** This includes the study of the individual as well as the individual determinants in buying behaviour, viz., consumer perception, learning and memory, attitude, self-concept and personality, motivation and involvement, attitudes and attitudinal change and, decision making.
2. Sociology: This includes the study of groups as well as the group dynamics in buying behaviour, viz., family influences, lifestyles and values, and social group influences.

3. Social psychology: This includes the study of how an individual operates in group/groups and its effects on buying behaviour, viz., reference groups and social class influences.

4. Anthropology: This is the influence of society on the individual, viz., cultural and cross-cultural issues in buying behaviour, national and regional cultures, etc.

5. Economics: This is the study of income and purchasing power, and its impact on consumer behaviour. The underlying premise is that consumers make rational choices while making purchase decisions. While resources are limited and needs and want many, consumers collect information, and evaluate the various alternatives to finally make a rational decision. As discussed before, consumers are unique in themselves. A comprehensive yet meticulous knowledge of consumers and their consumption behaviour is essential for a firm to succeed. In order to understand and predict consumption patterns and behaviours within segment(s), market research becomes essential.

**Market Research and Consumer Behaviour**

Consumers are different and heterogeneous. However, like-minded clusters of customers do exist, they are homogenous within such clusters and heterogeneous outside; these are referred to as segments. Marketers identify segments and target one or few of these segments, and thereby fulfil the qualifications of the marketing concept; first, marketers identify customer needs and wants; and then, deliver product and service offerings so as to satisfy the customers more efficiently and effectively than the competitors. In order to understand and predict consumption patterns and behaviours within segments, market research becomes essential.

**CASE STUDY**

The marketer has to learn about the needs and changes in the consumer behaviour and practice the Marketing Concept. Levi Strauss & Co. were selling jeans to mass market and did not bother about segmenting the market till their sales went down. The study into consumer behaviour showed their greatest market of the baby boomers had outgrown and their needs had changed. They, therefore, came out with Khaki or dockers to different segments and comfortable action stocks for the consumers in the 50 age group. Thus, by separating the market and targeting various groups and fulfilling their needs, they not only made up for the lost sales but far exceeded the previous sales. They also targeted the women consumers for jeans and both men and women started wearing jeans in greater numbers. The offering given by the company must be enlarged to suit various segments.

For example, Maruti Udyog Ltd. has come out with many models. Maruti 800, Maruti Van, Zen, Alto, WagonR, Versa, Gypsy, Esteem, Baleno and other models. For successful marketing, one should:

1. Find consumer needs of various segments.
2. Position products (new and existing) to these segments.
3. Develop strategies for these segments. Practice greater selectivity in advertising and personal selling and creating more selective media and distribution outlets.

**EXERCISE**

**Review Questions**

1. Define Consumer Behaviour. Explain the nature of Consumer Behaviour.
2. Explain the need and importance of Consumer Behaviour.
3. Explain the scope of Consumer Behaviour.
4. What are the different applications of Consumer Behaviour in different areas?
5. Explain the basic components of consumer behaviour.