

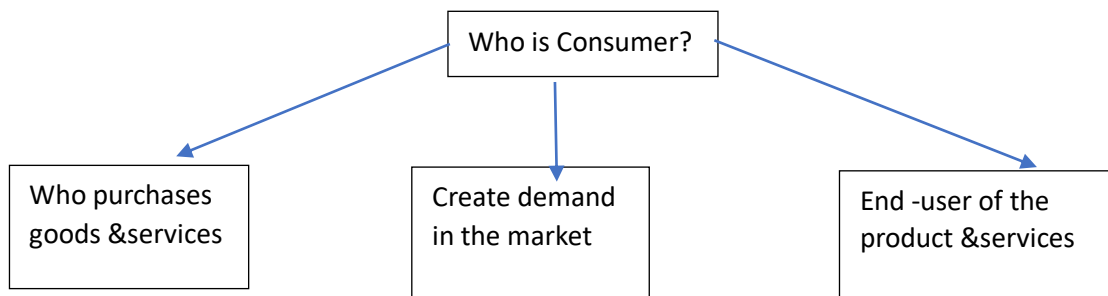
Consumer Behaviour

Unit-1

Topics at a glance

Lecture Hours:12

- Concept of Consumer Behaviour
- Importance or need of Consumer Behaviour
- Factors Influencing Consumer Behaviour
- Consumer Behaviour Model
- Nicosia Model
- Howard Sheth Model
- Concept of Marketing Ethics
- Importance of Marketing Ethics
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❖ Concept of Consumer Behaviour

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

According to **Kotler and Ketler**, "Consumer Behaviour is the study of how individuals, groups and organisations select, buy, use and dispose of goods, services, ideas or experiences to satisfy their needs and wants."

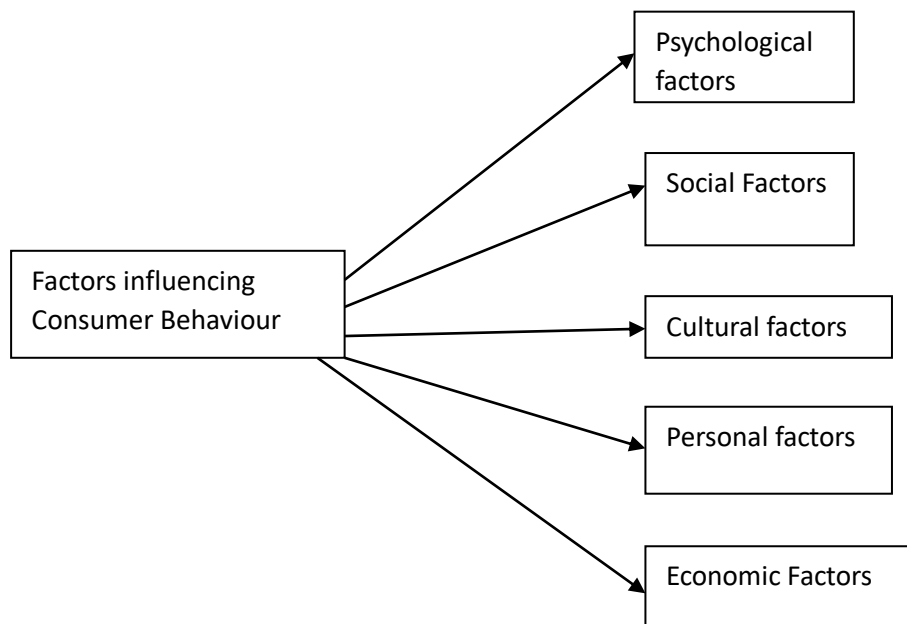
❖ Importance or need of Consumer Behaviour

1. **Understanding consumer needs:** Consumer behaviour research provides valuable insights into the needs, desires and motivations of the target audience, enabling businesses to create products and services that cater to consumer demand effectively.
2. **Effective marketing strategies:** By standing consumer behaviour, businesses can identify the most efficient marketing techniques and channels to reach their target audience.

3. **Identifying market opportunities:** Consumer behaviour research allows companies to detect emerging trends, evolving preferences and untapped market needs.
4. **Enhancing Customer experience:** Understanding consumer behaviour enables businesses to align strategies to implement effective customer insight strategies across the organization.
5. **Applying insights and continuous improvement:** It is essential to utilize acquired insights to guide decision-making and strategy development.
6. **Ethical considerations:** Businesses must ensure that data collection and analysis processes adhere to ethical standards to maintain consumer trust and confidence

Model Answer

Factors influencing Consumer Behaviour:



A) Psychological Factors:

1. **Motivation:** The inner drive compels a consumer to fulfil a need. For example, someone might buy a luxury car not just for transportation but to fulfil a deeper need for status or self-esteem.
2. **Learning:** It involves acquiring knowledge through experience and outside sources. For instance, a customer might buy a certain detergent brand because experience has shown it works best for them.
3. **Attitudes & beliefs:** These are formed over time from various sources, including experience and external influences.
4. **Perception:** A consumer interprets and makes sense of available information. For example, two customers might see an advertisement: one perceives it as informative, while another finds it manipulative.

Example: Nike

B) Social factors:

1. **Family:** Family members can influence purchasing decision. For instance, parents might buy a car based on its safety record, thinking of their children.
2. **Reference Group:** These are groups that a person looks go for validation or approval. If a celebrity seen as a reference endorses a product their fans might be more inclined to buy it.

3. **Roles & status:** Depending on one's role in society, they might make certain purchasing decisions.

Example: Apple

C) Cultural Factors:

1. **Culture:** The values, perceptions and beliefs society instils can influence consumer decisions. In some cultures, for example, gold jewellery is bought extensively as it symbolizes wealth and status.
2. **Subculture:** Groups within a culture have shared beliefs and values. For instance, the younger generation might more incline toward online shopping than the older generation.
3. **Social Class:** Different classes have different preferences. Luxury brands often target the upper class, while discount stores might target the middle or lower class.

Example: Coca-Cola

D) Personal Factors:

1. **Age:** As people grow, their tastes and preference change. Teenagers might spend on gadgets, while older people might invest in health products.
2. **Occupation & Lifestyle:** A corporate executive might buy formal attire and a luxury car, while an artist might prefer bohemian clothing and a vintage car.
3. **Personality:** Some people prefer flashy items because of their extroverted nature, while introverts might choose more subtly.

Example: L'Oreal

E) Economic Factors:

1. **Personal Income:** How much someone earns directly affects their purchasing power. Someone with a high salary might not think twice about buying branded goods, while someone with a lower salary might look for deals.
2. **Country Economic Situation:** In a recession, even those with stable incomes might cut back on luxury items, prioritizing necessities.
3. **Liquid assets:** The more liquid assets (like cash or assets easily converted into cash) someone has the more they might be willing to spend on big ticket items.

Example: Walmart

Nicosia Model

Nicosia model is a framework that outlines the process through which a consumer decides to purchase a product or service. Developed by Francesco Nicosia in the 1960s, it was one of the first models to detail the complex interplay between a consumer and messages from marketers.

The model is structured into four major stages:

1. **Attention**
2. **Search and Evaluation**
3. **Decision to purchase**
4. **Feedback**

1. **Attention:** The consumer becomes aware of the product or service through various forms of communication. The “Attention” stage of the Nicosia Model is crucial as it marks the beginning of the consumer’s journey towards a purchase. This stage is about capturing the consumer’s awareness and interest in a product or service through various forms of communication. These are – Digital Advertising, Content Marketing, Social Media Marketing, Email Marketing, Search Engine Optimization (SEO) and search Engine Marketing (SEM), Public Relations and Media Coverage and Traditional Advertisings.
2. **Search and Evaluation:** The consumer actively seeks information about the product and evaluates it against their needs and preferences. The ‘Search and Evaluation’ stage is a critical juncture in the consumer decision- making process, as outlined in the Nicosia Model. After initial awareness, consumers move to actively gather more information about the product or service and assess its fit with their needs, preferences and values. This stage is influenced by both internal as well as external sources of information.
 - (a) **Information Speech:** These are- Online Research, social Media and Forums, Review Sites and Online Review, Word of Mouth.
 - (b) **Evaluation of alternatives:** These are- Comparative Analysis, value Propositions, Personal Fit etc.
3. **Decision to Purchase:** Based on the evaluation, the consumer decides whether to purchase the product or not. The ‘Decision to Purchase’ stage in the Nicosia Model is a pivotal point in the consumer’s journey. Where all the information gathered and evaluated is synthesized into a final decision. This decision –making process is influenced by the consumer’s confidence in how well the product or service meets their needs, preferences, perceived value and the effectiveness of the marketing efforts leading up to this point. Understanding and facilitating a positive decision-making process is crucial for businesses aiming to convert potential customers into actual buyers. The factors influencing the Purchase Decision are- Perceived Value, Brand trust and Reputation, Social Proof and Peer Influence, Special Offers and Promotions, Ease of Purchase and Risk Reduction Measures.
4. **Feedback:** After purchasing the consumer uses the product and forms a opinion that influences future purchase decisions and may also influence other potential

buyers through word-of-mouth. The 'feedback' stage is the final phase is the Nicosia Model, where the consumer's experience with the product or service culminates in the formation of an opinion that influences not only their future purchasing decisions but also the purchasing decisions of others.

Howard Sheth Model

John Howard and Jagdish Sheth put forward the Howard Sheth Model of Consumer Behaviour in 1969, in their publication entitled, 'The Theory of Buyer Behaviour'. The Howard Sheth Model is a sophisticated integration of the various social, psychological and marketing influences on consumer choice into a coherent sequence of information processing. It aims not only to explain consumer behaviour in terms of cognitive functioning but to provide an empirically testable depiction of such behaviour and its outcomes.

The Howard Sheth Model of consumer behaviour suggests three levels of the decision making:

- (i) The first level describes extensively problem solving.
- (ii) The second level is limited problem-solving.
- (iii) The third level is habitual response behaviour.

According to the Howard Sheth Model of Consumer Behaviour, there are four major sets of variables, namely:

- (i) **Inputs:** These input variables consist of three distinct types of stimuli in the consumer's environment. The marketer in the form of product or brand information furnishes physical brand characteristics. There are impersonal sources like mass media communication and advertising, over which the firm has no control.
- (ii) **Perceptual and learning constructs:** The central part of the model deals with the psychological variables involved when the consumer is contemplating a decision. Some of the variables are perceptual in nature and are concerned with how the consumer receives and understands the information from the input stimuli and other parts of the model.
- (iii) **Outputs:** The outputs are the results of the perceptual and learning variables and how the consumers will respond to these variables (attention, brand comprehension, attitudes and intention).
- (iv) **Exogenous (External) Variables:** Exogenous (External) Variables are not directly part of the decision making process. However, some relevant exogenous variables include the importance of the purchase, consumer personality traits, and religion and time pressure.

Concept of Marketing Ethics:

Marketing ethics are the marketing practices of promoting fairness, social responsibility, empathy and honesty by following ethical standards. From marketing tactics to marketing

decisions and advertising to products and services, all the ethical marketing practices focus not only on how products would benefit users but also on how they fulfil social responsibility and handle different ethical issues.

Importance of Marketing Ethics:

The following are the reasons why ethical marketing is an integral part of the life of an organisation:

(i) Consumer trust and loyalty: An ethical marketing practice contributes to building trust among consumers, leading to increased loyalty.

(ii) Protection of customer well-being: Ethical marketing frequently involves advising clients about the hazards associated with particular goods and services, as well as protecting everyone's physical and mental health.

(iii) Brand reputation: Ethical behaviour enhances a company's reputation. A positive reputation attracts customers, partners and employees and it helps differentiate a brand from its competitors.

(iv) Employees Well –being support: Although several advertisers concentrate their ethical initiatives on customers, they also need to promote the well-being of their personnel.

(v) A role model for other businesses: organisations that employ ethical marketing can establish a good reputation; establish a welcoming work culture for employees and customers while inspiring other businesses to employ marketing ethics themselves.

(vi) Legal compliance: Adhering to ethical marketing practices ensure compliance with legal regulations and standards. This reduces the risk of legal issue and penalties, safeguarding the business's interests.

(vii) Long Term success: Sustainable success is often linked to ethical practices. Businesses that prioritize ethical considerations are more likely to withstand challenges and changes in the market environment.

(viii) Customer attraction and retention: attracting and retaining customers by following ethical marketing strategies and ensuring the high value and quality of goods can be a powerful form of promotion.

(ix) Social responsibility: Ethical marketing acknowledges a company's responsibility to contribute positively to society. Consumers expect businesses to be socially responsible and environmentally conscious.

Role of Marketing Ethics:

The important role of marketing ethics are as follows:

- (i) **Promoting fairness, honesty and empathy:** Ethics in marketing is the practice of encouraging fairness, honesty and empathy in all marketing operations.

- (ii) **Building trust and credibility:** Ethical marketing promotes customer trust and credibility. Unethical marketing can be effective in the short term., but it is not a viable long term plan.
- (iii) **Instilling company values:** One of the simplest ways to encourage business ethics is to incorporate it into the company's culture and values.
- (iv) **Avoiding legal and reputational risks:** Ethical marketing can help to avoid legal and reputational risks.

Marketing Ethics in Consumer Behaviour:

The following is the marketing ethics in consumer behaviour:

- (i) **Understanding consumer psychology:** Understanding consumer's psychological experience is critical for developing ethical marketing strategies.
- (ii) **Ethical consumerism:** All purchasing behaviour is ethical, as it involves moral judgement. Consumers who are worried about human rights abuses in a foreign country.
- (iii) **Transparency and honesty:** Attracting clients through transparency and accurate, honest information is an important part of ethical marketing.
- (iv) **Consumer preference for ethical products:** Consumers value morality and consistently act on it.
- (v) **Understanding what matters to your customer:** Businesses must determine which ethical problems are important to their customers and ensure that they are satisfied or not.