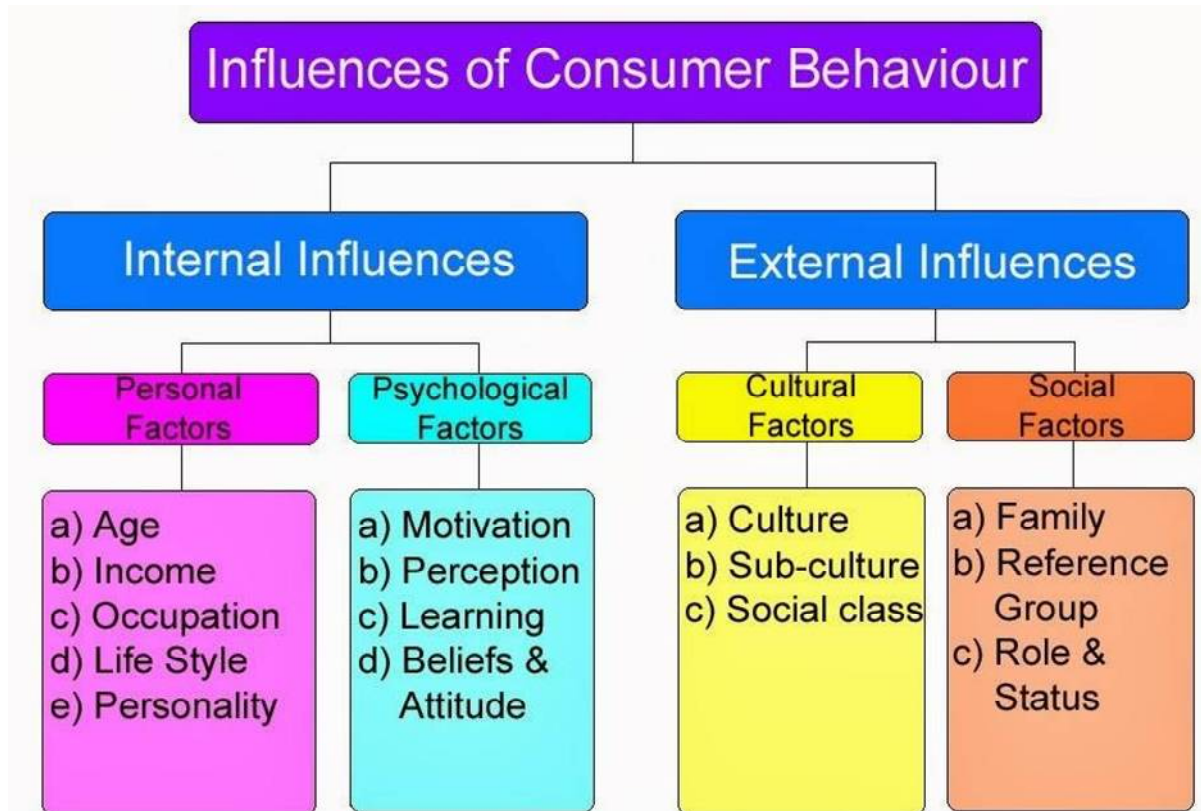


UNIT 2

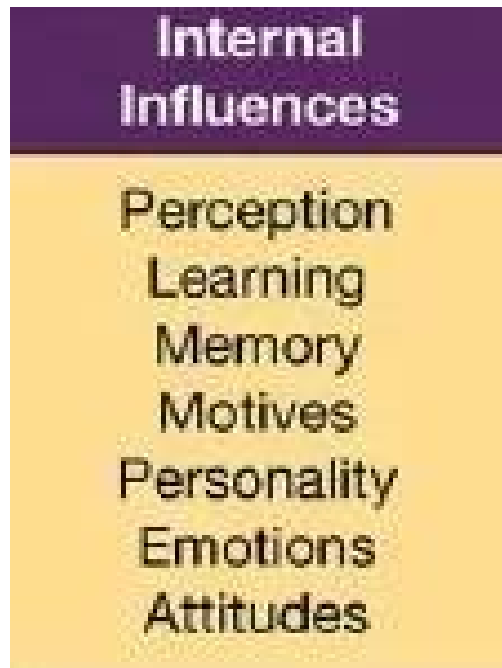


Consumer behavior is influenced by a whole host of internal and external factors that impact the critical consumer decision making process that ultimately results in the purchase of your product, service, experience or idea. Internal factors include a consumer's perception, learning and personality, while external factors include a consumer's culture, social status, family and marketing activities.

The combination of these internal and external factors influences a consumer's sense of self and the lifestyle they seek to build for themselves. That lifestyle is built through both conscious and unconscious decisions. An understanding of the factors that influence the decision making process can be

critical in understanding how consumers choose, use and ultimately feel about the products and services around them.

INTERNAL INFLUENCES



Internal influences basically come from consumers own lifestyle and way of thinking. These are consumers' **personal thoughts, self-concepts, feelings, attitudes, lifestyles, motivation and memory** (Kotler, 2002). **These internal influences can also be known as psychological influences.** Internal influences depict the ways through which consumers interact with the universe around them, identify their feelings, collect and examine information, develop ideas and beliefs, and take some specific action. **These internal influences can also be used by US coffee marketers to better understand the specific purchasing behaviour of their consumers**

1. Motivation:

What are Needs – Every individual has needs that are required to be fulfilled. Primary needs are food, clothing, shelter and secondary needs are society, culture etc.

What are Wants – Needs are the necessities, but wants are something more in addition to the needs. For example, food is a need and type of food is our want.

What are Goals – Goals are the objectives that have to be fulfilled. Goals are generic and product specific in nature. Generic goals are general in nature, whereas product specific goals are the desires of a specific nature.

Needs and fulfillment are the basis of motivation. Change takes place due to both internal as well as external factors. Sometimes needs are satisfied and sometimes they are not due to individual's personal, social, cultural or financial needs.

Motivation is the 'why' of behaviour. It is an intervening variable between stimulus and response and a governing force of consumer behaviour.

“Motivation refers to the drives, urges, wishes or desires which initiate the sequence of events known as behaviour.” as defined by Professor M.C. Burk. Motivation is an active, strong driving force that exists to reduce a state of tension and to protect, satisfy and enhance the individual and his self-concept. It is one that leads the individual to act in a particular way. It is the complex network of psychological and physiological mechanisms.

Therefore, motives can be conscious or unconscious, rational or emotional, positive or negative. These motives range from a mere biological desires like hunger and thirst to the most advanced scientific pursuits like landing on the Moon or Mars.

It was Abraham Maslow who developed five steps human need hierarchy those of survival-Safety Belongingness and Love-Esteem and Self Actualisation.

According to him, fulfillment of one will lead to the fulfillment of higher motives. The implications are that as we move up in the ladder, the input of marketing becomes more and more deep and subtle.

Theories of Motivation

Maslow's Theory of Need Hierarchy

Based on the notion of a universal hierarchy of human needs Dr Abraham Maslow, a clinical psychologist formulated a widely accepted theory of human motivation. This identifies five basic levels of human need which rank in order of importance from lower level needs to higher level needs.

This theory signifies the importance of satisfying the lower level needs before higher level needs arise. According to this theory, dissatisfaction motivates the consumer.

Following are the levels of human needs –



Maslow's Need Hierarchy Theory

- **Physiological Needs** – Food, clothing, air, and shelter are the first level needs. They are known as the basic necessities or primary needs.
- **Safety or Security Needs** – Once the first level needs are satisfied, consumers move to the next level. Physical safety, security, stability and protection are the security needs.
- **Social Needs** – After the safety needs are satisfied, consumers expect friendship, belonging, attachment. They need to maintain themselves in a society and try to be accepted.
- **Esteem Needs** – Then comes esteem needs such as self-esteem, status, prestige. Individuals here in this stage want to rise above the general level as compared to others to achieve mental satisfaction.
- **Self-Actualization** – This is the highest stage of the hierarchy. People here, try to excel in their field and improve their level of achievement. They are known as self-actualizers.

Motivational Theory and Marketing Strategies

Marketers have to understand the motives of their potential customers to enjoy good sales. A buyer has several motives and each change with various elements. In such cases the marketers can readily help their customers by changing their

marketing strategy so that the conflict is resolved. Following are the major conflicts that may arise

- **Approach Conflict** – This conflict arises when a consumer has two different choices of similar products or services. He gives equal importance to them, but is unable to choose one over the other.
- **Approach Avoidance Conflict** – This type of conflict happens when the consumer decides in favor of a product, but is unhappy with a particular feature of the product and wants to avoid it. Under such circumstances, the marketer may come up with few modifications in the existing product and make it suitable for the consumer.

PERCEPTION

What is Consumer Perception?

Customer perception refers to how a customer feels about a company. This includes their thoughts, emotions and opinions related to a brand and its products or services. Customer perception can be positive or negative. The customer perception process occurs when customers interact with your brand, products or services.

4 STAGES OF CUSTOMER PERCEPTION

Customer Perception is a three stage process that translates raw stimuli into meaningful information.

Each individual interprets the meaning of stimulus in a manner consistent with his/her own unique biases, needs and expectations. Three stages of perception are exposure, attention , interpretation and memory

1. Exposure

Exposure includes the elements like colors, logo, sound, ambience which a customer experiences when they interact with a brand or a product. When we see a particular color and taste a unique flavor it can get our attention which forms the second stage.

2. Attention

Attention comes into picture when the exposure stage completes and the customer takes notice of the message and product being marketed. If the attention results in positive experience, it may get into the interpretation stage.

3. Interpretation

Interpretation is how a customer assigns meaning or some value to the inputs and experience in the first 2 stages of customer perception. It can lead to comparison with another similar product or some similar experience from the past. Overall the customer assigns some meaning to the overall experience with the product.

4. Retention

Now the final stage is when the customer remembers the interaction for future references by storing it in the memory. This means that the customer perception is now formed. It may be positive or it may be negative as well.



Problems with Bad perception

1) Loses credibility

A company must keep its promises to its customers. Always strive for truth and make sure whatever you have promised you are delivering it to the letter. False promises will create a negative impact on the customer, and you will lose your credibility in the [market](#). An important disadvantage of wrong customer perception is that making false promises loses the trust of the common man.

1. Customer service impact

Make sure your [customer service](#) department is up to the mark if you want to avoid negative perception about your brand. When the customer service department does not work efficiently, it has a direct impact on the mind of an individual.

An important disadvantage in this scenario is that once a customer makes up his mind negatively about your brand, you will need to work extra hard to remove this preconceived notion from his mind. There isn't a guarantee that you will succeed in your endeavor. Customer perception is relative, but once it gets fixated on something, it becomes difficult to change it immediately.

Complacency

Do not get comfortable if you are getting positive feedbacks of your brand. When everything is going smoothly, people start taking all the things for granted and become complacent.

If a customer complains, it is taken lightly or passed to some other employee who forgets to pay timely attention to it.

This can cause serious repercussions as it will cause negative customer perception. Maintain a strict vigil on your employees so that they can work efficiently towards maintaining a positive impact.

Remember, it is important to push your employees to avoid complacency as it can prove a serious disadvantage in terms of customer perception.

How to have good customer perception?

Customer perception is about impressions and feelings. Facts and figures occupy a back seat where these two emotions are concerned.

The journey of a customer from the first to the last point in your outlet is very important. It will take him only a few seconds to judge and make up his mind.

Remember he is both the judge and jury, so the brand must remain vigilant in its effort to offer a positive brand impression on each customer. It is imperative to have good customer perception if you want to achieve growth and expansion in your business.

Creating good vibes about your business is not as difficult as it seems. You can take the help of several tools to achieve your [target](#). Remember, even if you face any negative impact, it will need just some extra steps and voila you can convert it into the optimistic and positive [customer experience](#). This will be able to change customer perception dramatically and work in your favor.

Customers need to feel valued hence treat them with warmth and genuine feelings. If any problems occur, listen attentively so that he can have his say. Communicate in a clear and precise manner and offer a viable solution.

It is important that a customer feels that you can relate to his problems. Be empathetic and compassionate. Show him that you care and are trying to resolve the issue as per his directives.

Importance of Customer Perception

Customer Perception is very important for companies or brands as it tells them how their potential customers think about them. It is very important because if the customer form a negative perception then no amount of work on brand or product will improve sales. The companies need to know at all times how customer perceive them so as to tweak the positioning or offers to make sure that the brand image and identity are in sync.

Also, it is very important as many a times the customer perception stays for a long time in the minds of the consumers and sometimes it can be permanent as well. Initial Customer Perceptions needs to be positive as that will lead to the future scope of the brand. The negative image of the brand affects the overall customer perception affecting the bottom line. The customer perception can be improved by following the customer perception cycle as stated below as a fresh start listing to what the customers perceive and expect from the product/service offered by the organization.

Customer Perception is equally valid in pre-sales as well as after-sales customer journey. Sometimes poor customer service after the sales can affect the perception and cause reduced repeat business. Ineffective sales and marketing can cause

negative perception even before sale is made. Managing Customer Perception is one of the most critical tasks for a company looking to launch and maintain a big brand.

What are the Factors Influencing Customer Perception?

Customer perception can be influenced by external factors, some of which are listed below:

1. Personal experience

Customer perception is highly influenced by the personal experience that a customer had while buying and using a particular product. If the quality, customer service, price, logo, color, discounts, etc. were able to make an excellent impression on the minds of the customers, they would build a good perception of the brand. But in case they did not enjoy the experience with the brand, it will leave an everlasting impression.

2. Advertising

Customers get to see the products first through advertisements and therefore become one of the biggest factors that influence customer perception. The advertisement and campaigns that a company runs will help to build a positive customer perception.

Influencers

People generally buy things when another person has tried and tested them. Such people who have bought it first and tried the product become influencers. When people hear about a great product that the influencer has tried out, it will influence the person to buy it and test it out, as the recommendation has come from a known person whom they trust.

4. Customer reviews

Many people look into customer reviews before buying a product. This shows that customer reviews are an important factor in defining customer perception. If the consumers see that a product has a lower number of stars it means that the product

does not have good customer reviews. The impression that it creates on the consumer's mind is negative.

Social Media

Social media has become the strongest medium to manage customer perception. When a social media audience gets consistent communication regarding a product, the users build an image of the product. Social media can be used to post content, images, videos, etc. which helps to build the kind of perception intended by the company.

Creating & Improving Customer Perception

Creating customer perception is a careful process which is conducted with customers to create the desired customer perception

1. Customer Survey
2. Response Analysis and Customer Journey Mapping
3. Formulation of tactics to create perception
4. Reach to Customers with redefined/tweaked messaging



Customer Perception Example

Sensory data emanating from an external environment (e.g., hearing a tune on the radio) can generate internal sensory experiences.

One example is holiday in Switzerland. Holiday customers always have high perception for Switzerland and are ready to pay more price to visit the place.

Other is Apple products, the customer perception is quite high hence are priced premium. Hence, this concludes the definition of Customer Perception along with its overview.

Consumer Behavior – Attitude

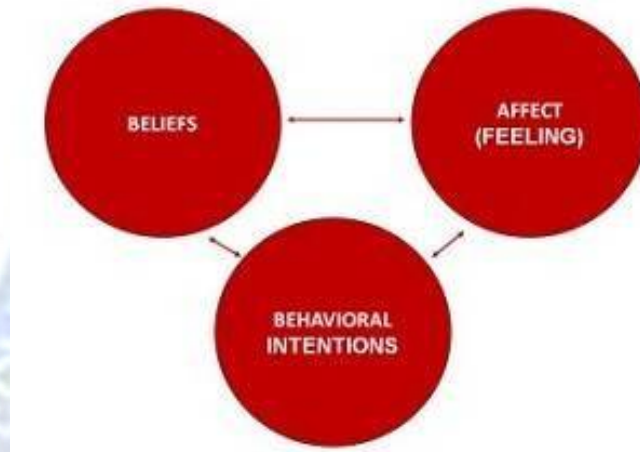
Consumer attitude may be defined as a feeling of favorableness or unfavorableness that an individual has towards an object. As we, all know that an individual with a positive attitude is more likely to buy a product and this results in the possibility of liking or disliking a product.

Consumer attitude basically comprises of beliefs towards, feelings towards and behavioral intentions towards some objects.

Belief plays a vital role for consumers because, it can be either positive or negative towards an object. For example, some may say tea is good and relieves tension, others may say too much of tea is not good for health. Human beliefs are not accurate and can change according to situations.

Consumers have certain specific **feelings** towards some products or brands. Sometimes these feelings are based on certain beliefs and sometimes they are not. For example, an individual feels uneasy when he thinks about cheese burst pizza, because of the tremendous amount of cheese or fat it has.

Behavioral intentions show the plans of consumers with respect to the products. This is sometimes a logical result of beliefs or feelings, but not always. For example, an individual personally might not like a restaurant, but may visit it because it is the hangout place for his friends.



Functions of Attitudes

The following are the functions of attitudes

- **Adjustment Function** – Attitudes helps people to adjust to different situations and circumstances.
- **Ego Defensive Function** – Attitudes are formed to protect the ego. We all are bothered about our self-esteem and image so the product boosting our ego is the target of such a kind of attitude.
- **Value Expression Function** – Attitudes usually represent the values the individual posses. We gain values, though our upbringing and training. Our value system encourages or discourages us to buy certain products. For example, our value system allows or disallows us to purchase products such as cigarettes, alcohol, drugs, etc.

- **Knowledge Function** – Individuals' continuously seeks knowledge and information. When an individual gets information about a particular product, he creates and modifies his attitude towards that product.

Models of Attitude

he following are the models of attitude

- **Tri-component Model** – According to tri-component model, attitude consists of the following three components.
- **Cognitive Component** – The first component is cognitive component. It consists of an individual's knowledge or perception towards few products or services through personal experience or related information from various sources. This knowledge, usually results in beliefs, which a consumer has, and specific behavior.
- **Affective Component** – The second part is the affective component. This consists of a person's feelings, sentiments, and emotions for a particular brand or product. They treat them as the primary criteria for the purpose of evaluation. The state of mind also plays a major role, like the sadness, happiness, anger, or stress, which also affects the attitude of a consumer.
- **Conative Component** – The last component is conative component, which consists of a person's intention or likelihood towards a particular product. It usually means the actual behavior of the person or his intention.

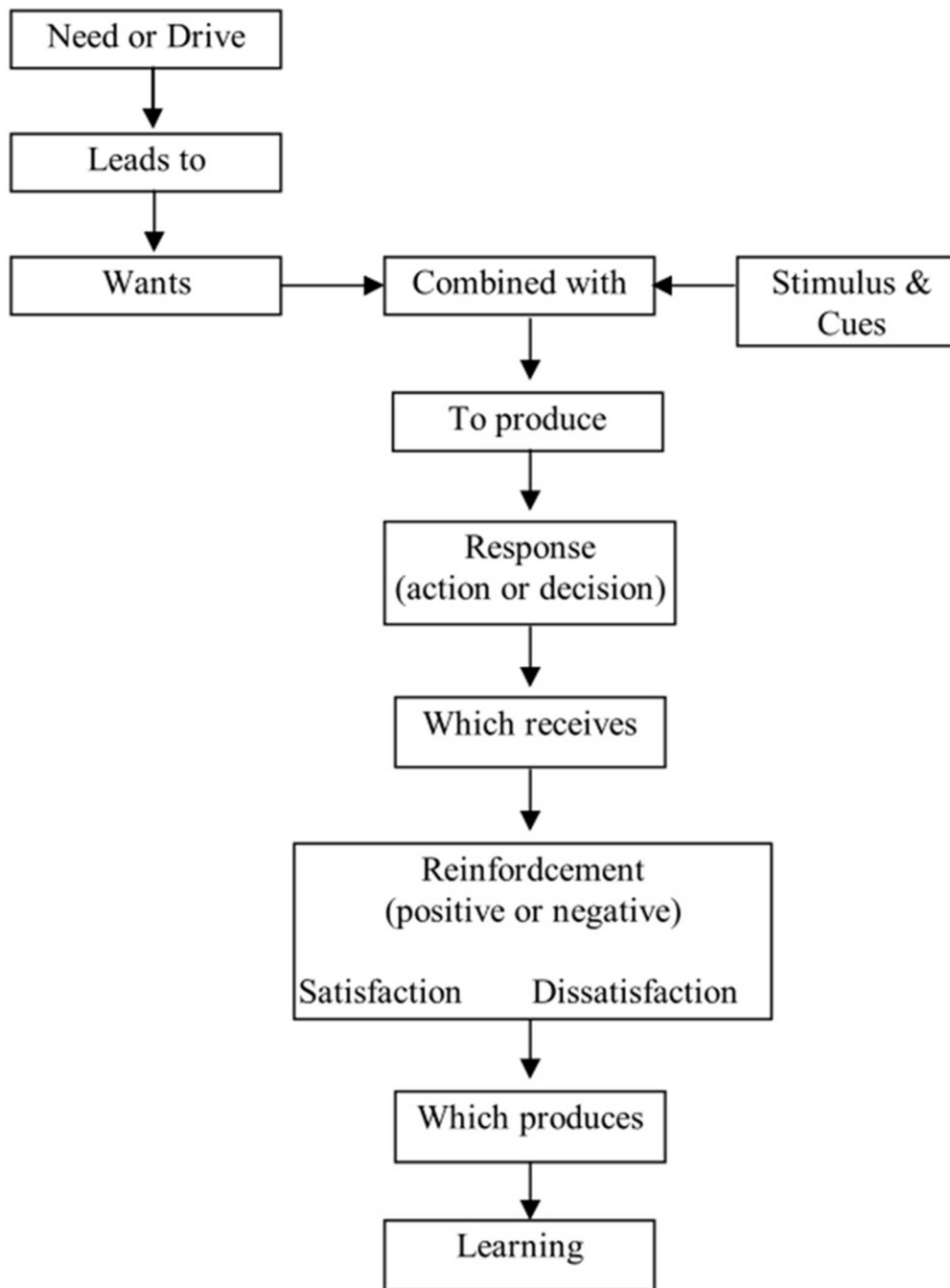
Consumer behavior Learning

According to Kotler's Definition, learning involves changes in an individual's behavior arising out of the experience. Most of the human behavior is learned over time, out of the experience.

Following are the features of consumer learning

- Consumer learning is a process. A process which continually changes and acquires new knowledge.
- This knowledge can be obtained from reading, discussing, observing, thinking, etc.
- Newly acquired knowledge or personal experience, both serve as feedback.





Elements of Consumer Learning

Motivation is the driving force of all important things to be learnt. Motives allow individuals to increase their readiness to respond to learning. It also helps in activating the energy to do so. Thus the degree of involvement usually determines the motivation to search information about a product.

For example, showing advertisements for summer products just before summer season or for winter clothes before winters.

Motives encourage learning and cues stimulate the direction to these motives. **Cues** are not strong as motives, but their influence in which the consumer responds to these motives.

For example, in a market, the styling, packaging, the store display, prices all serve as cues to help consumers to decide on a particular product, but this can happen only if the consumer has the motive to buy. Thus, marketers need to be careful while providing cues, especially to consumers who have expectations driven by motives.

Response signifies how a consumer reacts to the motives or even cues. The response can be shown or hidden, but in either of the cases learning takes place. Often marketers may not succeed in stimulating a purchase but the learning takes place over a period of time and then they may succeed in forming a particular image of the brand or product in the consumer's mind.

Reinforcement is very important as it increases the probability of a particular response in the future driven by motives and cues.

Consumer Behavioral Learning Theories

There are various theories which are developed to explain the learning theories. The below are the major theories related to consumer behavior.

Classical Conditioning theory refers to learning through repetition. This is referred to as a spontaneous response to particular situation achieved by repetitive exposure. It is such a kind of a behavioral theory which says, when a stimulus is connected to or paired with another stimulus, it serves to produce the same response even when used alone.

For example, if you usually listen news at 9 pm and have dinner too at 9 pm while watching the news then eventually the sound of news at 9pm may make you hungry even though you are not actually hungry or even if the dinner is not ready.

Instrumental Theory is developed by B F SKINNER, an American psychologist, he was the first to develop this model of learning. Instrumental theory suggests that human beings learn by trial and error method and then find out a particular stimulus that can yield best results. Then, this is subsequently formed as a habit

This theory is very important and applies to many common situations in the context of consumer behavior. It suggests that consumers learn by means of trial-and-error method in which some purchase behaviors result in a more favorable outcome.

Ivan Pavlov's Dogs Experiment:

- Unconditioned stimulus (UCS) – Naturally capable of causing a response.
- Conditioned stimulus (CS) – Does not initially cause a response
- Conditioned response (CR) – Response generated by repeated paired exposures to UCS and CS. Eventually, through learned association and repetition, the CS will cause the CR.

• Examples:

- Pairing a likeable celebrity with a new product in advertising or associating a likeable song with a particular product.
- Pairing product purchase with the use of a credit card.

Researcher's Argumentation:

Researchers have argued that the examples given are really nothing more than mood encoding, and that the positive affect tag is the effective mechanism.

Cognitive Associative Learning:

“Classical conditioning is viewed as the learning of associations among events that allows the organism to anticipate and represent its environment”.

From this viewpoint, classical conditioning is not reflexive action, but rather the acquisition of new knowledge.

Contemporary behavioral scientist view classical conditioning as the learning associations among events that allow the organisms to anticipate and represent its environment. According to this view, the relationship or contiguity between the conditioned stimulus and the unconditioned stimulus influence expectations, which in turn influence their behavior.

Neo-Pavlovian Theory:

Optimal conditioning-is the creation of a strong association between the conditioned stimulus (CS) and the unconditioned stimulus (US)-requires:

- 1) Forward Conditioning (i.e., the CS should precede the US);
- 2) Repeated pairings of the CS and the US;
- 3) A CS and US that logically belong together;
- 4) A CS that is novel and unfamiliar;
- 5) A US that is biologically or symbolically salient.

This model is known as NEO-PAVLOVIAN CONDITIONING.

Under NEO-PAVLOVIAN theory, the consumer can be viewed as an information seeker who uses logical and perceptual relations among events, along with his or her own preconceptions, to form a sophisticated representation of the world.

STRATEGIC APPLICATIONS OF CLASSICAL CONDITIONING:

The three basic concepts derive from classical conditioning are:

- 1) Repetition
- 2) Stimulus Generalization
- 3) Stimulus Discrimination

1) REPETITION:

“Repetition increases strength of associations and slows forgetting but over time may result in advertising wear out”. Cosmetic variations reduce satiation.

Research suggests that there is a limit to the amount of repetition that will aid retention. Although some over learning (i.e., repetition beyond what is necessary for

learning) aids retention, at some point, an individual can become satisfied with numerous exposures, and both attention and retention will decline.

Substantive Variations:

“These are changes in advertising content across different versions of an advertisement”. For Example, Stressing two different attributes of the same product.

Three Hit Theory:

- Repetition is the basis for the idea that three exposures to an ad are necessary for the ad to be effective.

- Some marketers just focus on three exposures of advertisement.

- 1) Product Awareness
- 2) Showing of Relevance of the product
- 3) Remainder of products' benefits.

- Other marketers focus on at least 11 to 12 repetitions to increase the likelihood that consumer will actually receive the three exposures basic to the so-called Three hit theory.

- The effectiveness of repetition is somewhat dependent upon the amount of competitive advertising to which the consumer is exposed.

2) STIMULUS GENERALIZATION:

“It is the inability to perceive differences between slightly dissimilar stimuli”.

It is defined as making of same response with slightly different stimuli-not much learning takes place. Stimulus generalization explains why some “me too” products succeed in the marketplace. Consumer confuse them with the original product they have been advertised. It also explains why manufacturers of private-label brands try to make their packaging closely resemble the national brand leaders.

Product Line, Form, and Category Extensions:

Marketers to product line, form, and category extensions apply the principle of stimulus generalization. Marketers also offer product category extensions that generally target new market segments. If the image of the parent brand is one of quality and the new item is logically linked to the brand, consumers are more likely

to bring positive associations to the new offerings introduced as product line, form, or category extensions.

- **Family Branding:**

The practice of a whole line of company products under the same brand name-is another strategy that capitalizes on the consumer's ability to generalize favorable brand associations from one product to others.

- **Licensing:**

Allowing a well-known brand name to be affixed to products of another manufacturer-is a marketing strategy that operates on the principle of stimulus generalization. The names of designers, manufacturers, celebrities, corporations and even cartoon characters are attached for a fee (i.e., "rented") to a variety of products, enabling the licensees to achieve instant recognition and implied quality for the licensed products. E.g. Calvin Kline or McDonalds.

3) STIMULUS DISCRIMINATION:

"The ability to select a specific stimulus from among similar stimuli because of perceived differences".

Stimulus discrimination is the opposite of stimulus generalization and results in the selection of a specified stimulus from among similar stimuli. The consumer's ability to discriminate among similar stimuli is the basis of positioning strategy that seeks to establish a unique image for a brand in the consumer's mind.

- **Positioning:**

The image or position that a product or service holds in the mind of the consumer is critical to its success. When a product or service holds in the mind of the consumer is critical to its success. When a marketer targets consumers with a strong communication program that stresses the unique ways in which its product will satisfy the consumer's needs, it wants the consumer to differentiate its product will satisfy the consumer's needs, it wants the consumer to differentiate its product from among competitive products on the shelf.

- **Product Differentiation:**

Most product differentiation strategies are designed to distinguish a product or brand from that of competitors based on an attribute that is relevant, meaningful, and valuable to consumers. Many marketers successfully differentiate their brands on an

attribute that may actually be irrelevant to creating the implied benefit, such as a noncontributing ingredient or a color. It is often difficult for a marketer to unseat a brand once stimulus discrimination has occurred.

One explanation is that leader usually the first in the market and had to teach customer for a longer period to associate with the brand name.

V INSTRUMENTAL (OPERANT) CONDITIONING:

“A behavioral theory of learning based on a trial-and-error process, with habits forced as the result of positive experiences (reinforcement) resulting from certain responses or behaviors”.

It requires a link between a stimulus and a response. In Instrumental Conditioning, the stimulus that results in the most satisfactory response is the one that is learned. In consumer behavior terms, it suggests that consumers learn by trial and error process in which some purchase behaviors results in more favorable outcomes (i.e., rewards) than other purchase behaviors. A favorable experience is “instrumental” in teaching the individual to repeat a specific behavior.

- Occurs as the individual learns to perform behaviors that produce positive outcomes and avoid behaviors that yield negative outcomes.

This learning process is most closely associated with psychologist B.F. Skinner, who demonstrated the effects of instrumental conditioning by training pigeons to dance and play Ping-Pong.

- Operant conditioning is the process in which the frequency of occurrence of a behavior is modified by the consequences of the behavior. That is, the consequences of a purchase will affect the probability of a re-purchase.

- Reinforcement of a behavior:

Positive Reinforcement:

“Positive outcomes that strengthen the likelihood of a specific response”.

Negative Reinforcement:

“Unpleasant or negative outcomes that serve to encourage a specific behavior”.

Skinner distinguished two types of reinforcement (or reward) that influence the likelihood that a response will be repeated. The first type, positive

reinforcement, consists of events that strengthen the likelihood of a specific response. E.g., using a shampoo that leaves your hairs, feeling silky and clean is likely to result in a repeated purchase of the shampoo. Negative reinforcement is an unpleasant or negative outcome that also serves to encourage a specific behavior. E.g., buying of an antivirus software for you computer. Fear appeals in ad messages are examples of negative reinforcement such as life insurance commercials rely on negative reinforcement to encourage consumers to encourage the purchase

- Punishment:

“Choose reinforcement rather than punishment”.

- Forgetting and Extinction:

- Forgetting à “Combat with repetition”.

- Extinction à “Combat with consumer satisfaction”.

- Factors Involving Forgetting:

Time: A Forgetting is rapid at first and then levels off

Interference A Old information in memory interferes with learning similar, new material.

When a learned response is no longer reinforced, it diminishes to the point of extinction, that is, to the point at which the link between the stimulus and the expected reward is eliminated. If a consumer is no longer satisfied with the service a retail store provides, the link between the stimulus (the store) and the response (expected satisfaction) is no longer reinforced, it is “unlearned”. There is a difference, however, between extinction and forgetting. Forgetting is often related to the passage of time; this is known as the process of decay. Marketers can overcome forgetting through repetition and can combat extinction through the deliberate enhancement of consumer satisfaction.

- Strategic/Marketing applications of instrumental conditioning:

Marketers effectively utilize the concepts of consumer instrumental learning when they provide positive reinforcement by assuring customer instrumental learning when they provide positive reinforcement by assuring customer satisfaction with the product, the service, and the total buying experience.

- Customer Satisfaction (Reinforcement):

The objective of all marketing efforts should be to maximize customer satisfaction. Marketers must be certain to provide the best possible product for the money and to avoid raising consumer expectations for product (or services) performance beyond what the product can deliver. Aside from the experience of using the product itself, consumers can receive reinforcement from other elements in the purchase situation, such as the environment in which the transaction or service takes place, the attention and service provided by employees, and the amenities provided. E.g.: most frequent shopper programs are based on enhancing positive reinforcement and encouraging continued patronage. The more a consumer uses the service, the greater the rewards.

- Relationship Marketing:

Relationship marketing develops a closed personalized relationship with customers- is another form of non product reinforcement. Knowing that she will be advised of a forthcoming sale that selected merchandise will be advised of a forthcoming sale, or that selected merchandise will be set aside for her next visit cements the loyalty that a consumer may have for a retail store.

- Reinforcement Schedules:

Marketers have found that product quality must be consistently high and provide customer satisfaction with each use for desired consumer rewards do not have to be offered each time the transaction takes place; even an occasional reward provides reinforcement and encourages consumer patronage. **The promise of possibly receiving a reward provides positive reinforcement and encourages consumer patronage. Marketers have identified three types of reinforcement schedules:**

1) Total or Continuous Reinforcement:

An example of total or continuous reinforcement schedule is the free after-dinner drink or fruit plate always served to patrons at certain restaurants. The basic product or service rendered is expected to provide total satisfaction (reinforcement) each time it is used.

2) Systematic (Fixed Ratio) Reinforcement:

A fixed ratio reinforcement schedule provides reinforcement every n th time the product or service is purchased. (Say every third time). For example, a retailer may send a credit voucher to account holders every three months based on a percentage of the previous quarter's purchases.

3) Random or Variable Ratio Reinforcement:

This schedule rewards consumers on a random basis or an average frequency basis (such as every third or tenth transaction). Variable ratios tend to engender high rates of desired behavior and are somewhat resistant to extinction-perhaps because, for many consumers, hope springs eternal. Other examples of variable ratio require certain consumer behaviors for eligibility.

- Shaping:

“It is the reinforcement for incremental steps toward the desired behavior. This is the same principle that underlies animal training”.

Reinforcement performed before the desired consumer behavior actually takes place is called shaping. Shaping increases the probabilities, that certain desired consumer behavior will occur. Many retailers provide some form of preliminary reinforcement (shaping) to encourage consumers to visit only their store. For example, some retailers offer loss leaders-popular products at several discounted prices-to the first hundred or so customer to arrive, since those customers are likely to stay to do so much of their shopping.

- Massed versus Distributed Learning:

Timing has an important influence on consumer learning. Should a learning schedule be spread out over a period of time (distributed learning), or should it be “bunched up” all at once (massed learning)? The question is important for advertisers planning a media schedule, because massed advertising produces more initial learning, whereas a distributed schedule usually results in learning that persists longer. When advertisers want an immediate impact (e.g., to introduce a new product or to counter a competitor's blitz campaign), they generally use a massed schedule to hasten consumer learning. When the goal is long-term repeat buying on a regular basis, a distributed schedule is preferable.

Other Strategies:

- Frequent flyer miles:

Rewarding consumers with frequent flyer miles is an effective way to reinforce them and build brand loyalty.

- Brand loyalty
- Slot machines
- 'Sales'

v **MODELING OR OBSERVATIONAL LEARNING:**

“It is a process by which individuals observe the behavior of others, and consequences of such behavior. It is also known as modeling or vicarious learning”.

Occurs when people watch the actions of others and note reinforcements received for their behaviors. Learning occurs as a result of vicarious, rather than direct, experience.

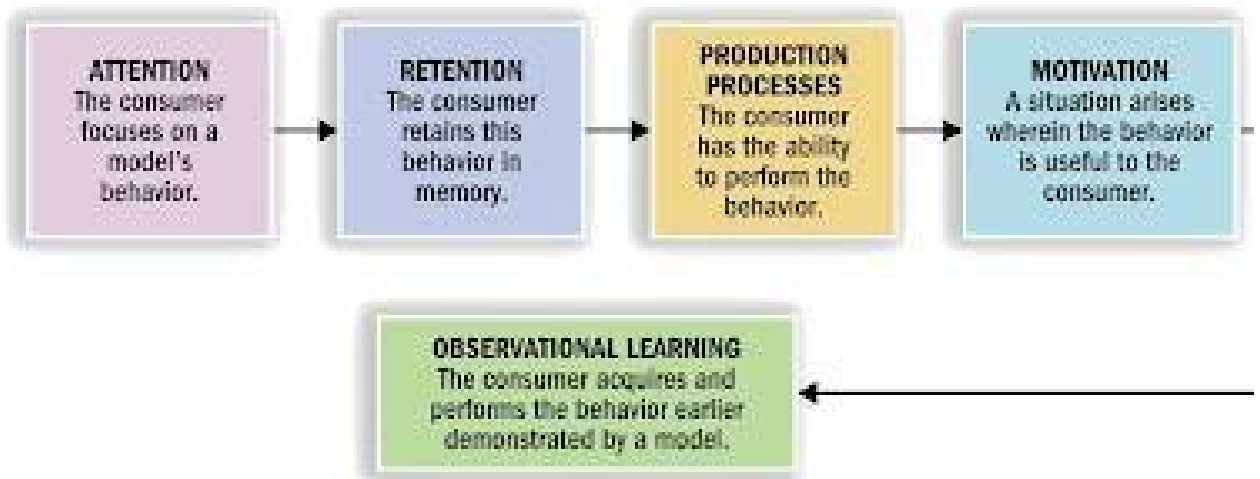
Learning theorists have noted that a considerable amount of learning takes place in the absence of direct reinforcement, either positive or negative, through a process called by psychologists modeling or observational learning (also called vicarious learning).

Modeling:

It is the process through which individuals learn behavior by observing the behavior of others and the consequences of such behavior. Their role models are usually people they admire because of such traits as appearance, accomplishments, skill, and even social class.

Consumer models with which the target audience can identify are shown achieving positive outcomes to common problem situations through the use of the advertised product.

Components of Observational Learning



COGNITIVE LEARNING THEORY:

Holds that the kind of learning most characteristic of human beings is problem solving, which enables individuals to gain some control over their environment.

A considerable amount of learning takes place as a result of consumer thinking and problem solving. Sudden learning is also a reality. When confronted with a problem, we sometimes see the solution instantly. We are likely to search for information on which to base decision possible for our purposes. Learning based on mental activity is called “cognitive learning”. It holds that the kind of learning most characteristics of human beings is problem solving, which enables individuals to gain some control over their environment.

Information Processing:

A cognitive theory of human learning patterned after computer information processing that focuses on how information is stored in human memory and how it is retrieved.

Information processing is related to both the consumer’s cognitive ability and the complexity of the information to be processed. Consumer processes product

information by attributes, brands, comparisons between brands, or a combination of these factors.

Consumers also differ in terms of imagery-that is, in their ability to form mental images- and these differences influence their ability to recall information. Individual differences in imagery processing can be measured with tests of imagery vividness (the ability to evoke clear images), processing style (preference for and frequency of visual versus verbal processing), and daydream (fantasy) content and frequency.

HOW CONSUMER STORE, RETAIN, AND RETRIEVE INFORMATION:

Of central importance to the processing of information is the human memory. A basic research concern of most cognitive scientists is discovering how information gets stored in memory, how it is retained, and how it is retrieved

Structure of Memory:

Because information processing is kept temporarily before further processing: a sensory store, a short term store, and a long-term store.

- **Sensory Stage:**

All data come to us through our senses; however, the senses do not transmit whole images as a camera does. Instead, each sense receives a fragmented piece of information (such as the smell, color, shape, and feel of a flower) and transmits it to the brain in parallel, where the perceptions of a single instant are synchronized and perceived as a single image, in a single moment of time. The image of a sensory input lasts for a just a second or two in the mind's sensory store. If it is not processed, it is lost immediately.

- **Sensory Memory** à “It is a temporary storage of information from our senses”.

- **Short-Term Store: (Knowing Memory):**

It is a temporary storage of info while being processed which holds about 7 (plus or minus 2) chunks of information at a time (Miller's Law). It has a limited capacity that may lead to information overload.

It is the stage of real memory in which information is processed and held for just brief period. If information in the short-term store undergoes the process known as

“Rehearsal” (i.e., the silent, mental repetition of information), it is then transferred to the long-term store. The transfer process takes from 2 to 10 seconds. If information is not rehearsed and transferred, it is lost in about 30 seconds or less. The amount of information that can be held in short-term storage is limited to about four or five items.

Long-Term Store:

It can retain information for a long period of time and transfer from STM to LTM which is facilitated by chunking, rehearsal, recirculation, and elaboration. E.g., Pictures are more memorable than words.

The long-term store retains information for relatively extended periods of time. Although it is possible to forget something within a few minutes after the information has reached long-term storage to last for days, weeks, or even years.

Rehearsal and Encoding:

The amount of information available for delivery from short-term storage to long-term storage depends on the amount of rehearsal if it is given. Failure to rehearse an input, either by repeating it or by relating it to other data, can result in fading and eventual loss of the information. Information can also be lost because of competition for attention.

- Encoding

It is the process by which we select a word or visual image to represent a perceived object. When consumers are presented with too much information (called information overload), they may encounter difficulty in encoding and storing it all.

- Retention:

Information does not just sit in long-term storage waiting to be retrieved. Instead, information is constantly organized and reorganized as new links between chunks of information are forged. In fact, many information-processing theorists view the long-term store as a network consisting of nodes (i.e., concepts), with links between and among them.

The total package of associations brought to mind when a cue is activated is called a schema. Product information stored in memory tends to be brand based, and

consumers interpret new information in a manner consistent with the way in which it is already organized. Consumers are confronted with thousands of new products each year and their information search is often dependent upon how similar or dissimilar (discrepant) these products are to product categories already stored in memory. Consumers recode what they have already encoded to include larger amounts of information (chunking).

Information is stored in long-term memory in two ways: episodically (by the order in which it is acquired) and semantically (according to significant concepts).

- Retrieval:

“Retrieval is the process by which we recover information from long term storage”. In this process, the person accesses the desired information. Marketers maintain that consumers tend to remember the product’s benefits rather than its attributes, suggesting that advertising messages are most effective when they link the product’s attributes with the benefits that consumers seek from the product.

Incongruent elements that are not relevant to an ad also pierce the consumer’s perceptual screen but provide no memo ability for the product.

Interference:

Old information in memory interferes with learning similar, new material. The greater the number of competitive ads in a product category, the lower the recall of brand claims in a specific ad. These interference effects are caused by confusion with competing ads and make information retrieval difficult.

Limited and Extensive Information Processing:

For a long time, consumer researchers believed that all consumers passed through a complex series of mental and behavioral stages in arriving at a purchase decision. These stages ranged from awareness (exposure to information) to evaluation (preference, attitude formation), to behavior (purchase), to final evaluation (adoption or rejection). This same series of stages is often presented as the consumer adoption process.

“It is a theory of consumer learning which postulates that consumers engage in a range of information processing activity from extensive to limited problem solving,

depending on the relevance of the purchase”. Involvement theory developed from a stream of research called hemispherical lateralization, or split-brain theory.

INVOLVEMENT THEORY AND MEDIA STRATEGY:

Building on the notion of hemisphere lateralization, a pioneer consumer researcher theorized that individuals passively process and store right-brain (nonverbal, pictorial) information—that is, without active involvement. E.g., T.V is primarily holistic processing of images viewed on the screen), and TV itself was therefore considered a low-involvement medium. This research concluded that passive learning occurs through repeated exposures to TV commercial (i.e., low-involvement information processing) and produces changes in consumer behavior (e.g., product purchases) prior to changes in the consumer’s attitude towards the product.

The right-brain processing theory stresses the importance of the visual component of advertising, including the creative use of symbols. Under this theory, highly visual TV commercials; packaging, and in-store displays generated familiarity with the brand and induce purchase behavior. Pictorial cues are more effective at generating recall and familiarity with the product, whereas verbal cues (which trigger left-brain processing) generate cognitive activity that encourages consumers to evaluate the advantages and disadvantages of the product. Some individuals are integrated processors (they readily engage both hemispheres during information processing).

INVOLVEMENT THEORY AND CONSUMER RELEVANCE:

From the conceptualization of high and low involvement media, involvement theory next focused on the consumer’s involvement theory with products and purchases. It was briefly hypothesized that there are high and low involvement consumers; then, that there are high and low involvement purchases. These two approaches led to the notion that a consumer’s level of involvement depends on the degree of personal relevance that the product holds for that consumer. Under this definition, high-involvement purchases are those that are very important to the consumer (e.g., in terms of perceived risk) and thus provoke extensive problem solving (information processing). Highly involved consumers find fewer brands acceptable (they are called narrow categorizers); uninvolved consumers find fewer brands be receptive to a greater number of advertising messages regarding the purchase and will consider more brands (they are broad categorize).

Central and Peripheral Routes to Persuasion:

“It is a theory that proposes that highly involved consumers are best reached through ads that focus on the specific attributes of the product (the central route) while uninvolved consumers can be attracted through peripheral advertising cues such as the model or the setting (the peripheral route)”.

For low-involvement purchases, the peripheral route to persuasion is likely to be more effective. In this instance, because the consumer is less motivated to exert cognitive effort, learning is more likely to occur through repetition, the passive processing of visual cues, and holistic perceptions.

The Elaboration Likelihood Model (ELM):

“It is a theory that suggests that a person’s level of involvement during message processing is a critical factor in determining which route to persuasion is likely to be effective”.

The elaboration likelihood model suggests that a person’s level of involvement during message processing is a critical factor in determining which route to persuasion is likely to be effective. For example, as the message becomes more personally relevant (i.e., as involvement increases), people are more willing to expand the cognitive effort required to process the message arguments.

MEASURES OF INVOLVEMENT:

Involvement theory evolved from the notion of high and low involvement media, to high and low involvement consumers, to high and low involvement products and purchases to appropriate methods of persuasion in situations of high and low product relevance. There is a great variation in the conceptualization and measurement of involvement itself. Involvement can be defined and conceptualize in a variety of ways, including ego involvement, commitment, communication involvement, purchase importance, extent of information search, persons, products, situations, and purchase decisions. It makes more sense to develop an environmental profile rather than to measure a single involvement level.

Marketing Applications of Involvement:

People process information extensively when the purchase is of high personal relevance and engage in limited information processing when the purchase is of low

personal relevance. Uninvolved consumers appear to be susceptible to different kinds of persuasions than highly involved consumers.

MEASURES OF CONSUMER LEARNING:

Many marketers, the dual goals of consumer learning are increased market share and brand-loyal consumers. These goals are interdependent: Brand-loyal customers provide the basis for a stable and growing market share, and brands with larger market shares have proportionately larger groups of loyal buyers. Following are some measures of consumer learning:

- **Recognition and Recall Measures:**

Recognition and recall tests are conducted to determine whether consumers remember seeing an ad, the extent to which they have read it or seen it and can recall their purchase intentions. Recognitions tests are based on aided recall, whereas recall tests use unaided recall. In recognition tests, the consumer is shown an ad and asked whether he or she remembers seeing it and can remember any of its salient points.

- **Starch Readership Service:**

Each analyzed ad is assigned an index number for each category (noted, associated, read some, and read most). An index number of 100 means that the ad scored the same as the average of all ads in the magazine issue. Index numbers higher than 100 indicate the ad scored better than average and numbers lower than 100 indicate that the ad scored below average. Some critics question the Starch method, saying that it relies entirely on consumer memory, and memories are often inaccurate.

- **Starch Readership Service Sample:**

This company measures reader awareness of magazine ads. A reader eligible for the survey is one that has glanced through the magazine prior to the interview and who meets the demographic requirements set by the client. Interviewers turn the pages of the magazine inquiring about the ads. Do you remember seeing or reading any part of this ad? If “yes,” then further questions follow.

- **Noted** – is the % of people who remember having seen the ad in the magazine issue.
- **Associated** – is the % of people who noted the ad and also read the brand or advertiser.
- **Read Some** – is the % people who read any part of the ad’s copy.

- Read Most – is the % of people who read half or more of the written material in the ad.

- Cognitive Response to Advertising:

It is the degree to which consumers accurately comprehend the intended advertising message. To ensure a high level of comprehension, many marketers conduct copy testing either before the advertising is actually run in media (called pretesting) or either it appears or after it appears (post testing).

- Attitudinal and Behavioral Measures of Brand Loyalty:

Brand loyalty is the ultimate desired outcome of consumer learning. However, there is no single definition of this concept. Marketers agree that brand loyalty consists of both attitudes and actual behaviors toward a brand and that both must be measured. Attitudinal measures are concerned with customers' overall feelings (i.e., evaluation) about the product and the brand and their purchase intentions. Behavioral measures are based on observable responses to promotional stimuli-repeat purchase behavior rather than attitude toward the product or brand.

Behavioral scientists who favor the theory of instrumental conditioning believe that brand loyalty results from an initial product trial that is reinforced through satisfaction, leading to repeat purchase. Cognitive researchers, on the other hand, emphasize the role of mental processes in building brand loyalty. They believe that consumers engage in extensive problem-solving behavior involving brand and behavior.

Phases of Brand Loyalty:

- Cognitive, Affective, Conative and Action.
- Brand Equity:

The term brand equity refers to the value inherent in a well-known brand name. This value stems from the consumer's perception of the brand's superiority and the social esteem that using it provides and the customer's trust and identification with the brand. The most valuable assets are brand names. Well-known brand names are often referred as mega brands

Consumer Experience

Factors Influencing Experience, Involvement, and Satisfaction

In general, four main factors influence a consumers's experience, involvement, and satisfaction with a product:

- Personal
- Object
- Situational
- Social

Personal Factors:

A person's perceptions, beliefs, attitudes, and values can substantially influence his or her experience and involvement with products. For example, certain cultures highly discourage women from exposing some of their body parts as part of their religious beliefs, which inevitably affects their consumption of clothing. Other examples of cultural influences include language, myths, customs, rituals, and laws. Consumers tend to be more involved with products that they believe can fill their own needs, which in turn are regarded as holding importance and relevance in their lives. Personal or individual factors can also serve as strong influences, including gender, age, income level or social class, ethnicity, and sexual orientation.

Woman wearing

Personal Beliefs: Religious beliefs can impact consumers' clothing choices. Muslim women must be covered at all times so they cannot wear bathing suits.

Object Factors: The degree of information that a consumers have about a product, including how well they can distinguish its characteristics, can also effect their experience, involvement, and satisfaction. Typically, the higher a consumer's

product knowledge, the more involved with it he or she will be. Deeper knowledge about a product also translates into higher involvement because the consumer perceives it as more important, especially if some of that knowledge pertains to characteristics that hold personal meaning.

Situational Factors: Products that can easily conform to and enrich a consumer's lifestyle tend to be consumed with more frequency and involvement. For example, a busy working mother might rely heavily on her smart phone to keep her organized and effective in an effortless manner.

Social Factors: Social influence can deeply affect consumer behavior, especially as related to the products they consider and consume. A consumer's social network has a strong influence on the products he or she uses, since individuals tend to rely on the opinions and advice of friends and family. Other social influences can include opinion leaders and reference groups.

Marketing Changes Due to Involvement

A company should consider the level of involvement a consumer has with a product in order to guide its marketing strategy.

In general, consumer involvement tends to be higher for products that are very expensive or are considered highly significant in the consumer's life.

Print advertising is considered high-involvement because newspapers and magazines provide information that can be processed clearly and can help shape attitudes and influence decisions.

TV advertising is considered low-involvement because it presents information that is considered passive.

Key Terms

consumer involvement: The level of interaction and regard that a consumer has with a given product.

Consumer involvement tends to vary dramatically depending on the type of product and its relationship to the consumer. In general, consumer involvement tends to be higher for products that are very expensive (e.g., a home, a car) or are considered highly significant in the consumer's life (e.g., a newborn baby product).

A Chevy Suburban.

Purchasing a Vehicle: Consumer involvement tends to be higher for expensive products like vehicles.

Marketing strategy should take into account the level of involvement that a consumer has with a specific product, as this also dictates the type of information that the consumer needs to process in order to make a purchase decision. The following levels of information processing are required, which can help dictate the marketing approach that should be used:

Low-Involvement purchases tend to be made by habitual decisions (e.g., dish washing liquid, toothbrush). These require minimal information processing.

Moderate-Involvement purchases tend to be made by simple decisions (e.g., orange juice, snacks). These often may require some evaluation of alternatives.

High-Involvement purchases tend to be made by lengthy or more involved decisions (e.g., a car or a house). These are usually considered highly important to consumers and require extensive information processing.

Print advertising is considered high-involvement because newspapers and magazines provide information that can be processed clearly and can help shape attitudes and influence decisions. Television advertising is considered low-involvement because it presents information that is considered passive.

The four main types of buying behavior in consumer marketing depend on the level of consumer involvement:

High involvement & significant differences between brands (complex buying behavior):

Example: Houses, kitchen renovation One-time sale activities are key

Consumers need evaluation and pre-sale learning Selling

Low involvement & significant differences between brands (variety-seeking buying behavior):

Example: Retail food stuff

Consumers have added buying triggers

Consumers want free samples, special deals

High involvement & few differences between brands (dissonance-reducing buying behavior):

Example: Consumer electronics, top-line sport equipment Decision making is difficult both pre- and post-purchase

Low involvement & few differences between brands (habitual buying behavior):

Example: Food, personal care products

Brand familiarity and promotion with convenience is key

Consumers look for price/sales promotions

Personality & Self Concept

Personality

To understand a buyer needs and convert them into customers is the main purpose of the consumer behavior study. To understand the buyer habits and his priorities, it is required to understand and know the personality of the buyer.

Personality signifies the inner psychological characteristics that reflect how a person reacts to his environment. Personality shows the individual choices for various products and brands. It helps the marketers in deciding when and how to promote the product. Personality can be categorized on the basis of individual traits, likes, dislikes etc.

Though personality is static, it can change due to major events such as death, birth or marriage and can also change gradually with time. By connecting with the personality characteristics of an individual, a marketer can conveniently formulate marketing strategies.

We will discuss in this chapter the various theories of personality.

Trait Theory

Traits are the features of an individual or tendency of an individual in a particular manner. Traits help in defining the behavior of consumers. According to the Trait theorists, an individual's personality make-up stems out of the traits that he possesses, and the identification of traits is important.

Following are the few of the most common traits –

- Outgoing
- Sad
- Stable

- Serious
- Happy go lucky
- Relaxed
- Self assured
- Practical
- Imaginative

Trait theory is representative of multi-personality theories. Trait theory is based on certain assumptions, such as traits which are certainly stable in nature and a limited number of traits are common to most of the people.

According to the Trait theorists, an individual's personality make-up stems out of the traits that he possesses, and the identification of traits is important. The trait theories can be of two broad categories, viz., Simple trait theories and general trait theories.

Simple Trait Theories

In simple trait theories, a limited number of traits are identified, and people are categorized and classified on the basis of these traits.

General Trait Theories

In general trait theories, a large variety of traits are identified.

The Psychoanalytic Theory of Freud

Sigmund Freud, the father of psychology, became famous with his psychoanalytic theory of personality. In fact, the theory is regarded as the cornerstone of modern psychology. Sigmund based his theory on certain assumptions which is as follows – Unconscious needs or drives lie at the heart of human motivation and personality.

The socialization process that takes place within people in a social set up has a huge impact on individual behavior. Freud explained much of how the psyche or the mind operates, and proposed that, human psyche is composed of parts within our awareness and beyond our awareness.

He said that all behavior within an individual cannot be explained, much lies in the subconscious.

- **Id** – According to Freud's psychoanalytic theory of personality, the id operates based on the pleasure principle, which stresses on immediate fulfillment of needs. The id is the personality component made up of unconscious psychic energy which satisfies basic urges, needs, and desires.
- **Ego** – Ego is that state of awareness which thinks of you as separate from the other. It always thinks of the glories of the past and hopes of the future and focuses on guiltiness. It always thinks of what was and what could be.
- **Super Ego** – The superego provides guidelines for making judgments. It is the aspect of personality that holds all our moral standards and ideals that we acquire from both parents and society.

Neo-Freudian Theory

There were a group of psychologists who believed that social interaction and resultant relationships formed the basis for the growth and development of personality. Here, they disagreed with their contemporary, Freud, who believed that personality was –

- Biological and rooted in genetics, and
- Was groomed as a result of early childhood experiences. This group of researchers who laid emphasis on the process of socialization came to be

known as the Neo. To form a personality, social relationships are very important.

Based on this, consumers are classified into three personality types –

- **Complaint Personalities** – They prefer love and affection and so they move towards them and so they prefer known brands.
- **Aggressive Personalities** – They tend to move against others and they show off their need for power, success etc which is quite manipulative.
- **Detached Personalities** – They are not much aware of brands and are more self reliant and independent.

Marketers also tend to use Neo-Freudian theories while segmenting markets and positioning their products.

Self Concept

Self concept is defined as the way, in which we think, our preferences, our beliefs, our attitudes, our opinions arranged in a systematic manner and also how we should behave and react in various roles of life. Self concept is a complex subject as we know the understanding of someone's psychology, traits, abilities sometimes are really difficult. Consumers buy and use products and services and patronize retailers whose personalities or images relate in some way or other to their own self-images

Traditionally, individuals are considered to be having a single self-image which they normally exhibit. Such type of consumers are interested in those products and services which match or satisfy these single selves. However, as the world became more and more complex, it has become more appropriate to think of consumers as having multiple selves.

What is Self-Concept?

The below are some of the major aspects of Self-concept

Self-Concept is Organized

We all have various views about ourselves. We all may think we are kind, calm, patient, selfish, rude and what not. It doesn't matter what perception you have about yourself, but the one perception that facilitates all these insights is

