

CONSUMER BEHAVIOUR

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CONSUMER BEHAVIOUR DEFINED

The American Marketing Association has defined consumer behaviour as, *“The dynamic interaction of affect and cognition, behaviour, and the environment by which human beings conduct the exchange aspects of their lives.”*

Peter D. Bennett, ed. Dictionary of Marketing Terms, 2nd ed. 1995.

“Consumer behaviour refers to the actions and decision processes of people who purchase goods and services for personal consumption.”

James F. Engel, Roger D. Blackwell and Paul W. Miniard,

“Consumer Behaviour” (1990).

Consumer behaviour refers to *“the mental and emotional processes and the observable behaviour of consumers during searching for, purchasing and post consumption of a product or service.”*

How consumers make decisions to spend their available resources such as money, time and effort on consumption and use-related items is the subject of consumer behaviour study. Consumer behaviour has two aspects: the final purchase activity which is visible to us and the decision process which may involve the interplay of a number of complex variables not visible to us. In fact, purchase behaviour is the end result of a long process of consumer decision-making. The study involves what consumer's buy, why they buy it, how they buy it, when they buy it, where they buy it, how frequently they buy it and how they dispose of the product after use. **For example**, consider the product computer, a relatively new but big business in our country. A study of consumer behaviour in this area would investigate what kinds of consumers buy it or would buy for home and personal use? What features do they look for? What benefits do they seek including post-purchase service? How much are they willing to pay? How many are likely to buy now? Do they wait for prices to come down? Do they look for some

freebies? The answers to these can be investigated through consumer research and provide manufacturers with important data and insight for determining computer features and promotional strategy etc.

CONSUMER AND CUSTOMER

A consumer is anyone who typically engages in any one or all of the activities mentioned in the definition. Traditionally, consumers have been defined very strictly in terms of economic goods and services wherein a monetary exchange is involved. This concept, over a period of time, has been broadened. Some scholars also include goods and services where a monetary transaction is not involved and thus the users of the services of voluntary organisations are also thought of as consumers. This means that organisations such as UNICEF, CRY, or political groups can view their public as “**consumers.**”

The term consumer is used for both personal consumers and organisational consumers and represents two different kinds of consuming entities. The **personal consumer** buys goods and services for her or his personal use (such as cigarettes or haircut), or for household consumption (such as sugar, furniture, telephone service etc.), or for just one member of the family (such as a pair of shoes for the son), or a birthday present for a friend (such as a pen set). In all these instances, the goods are bought for final use, referred as “end users’ or “ultimate consumers.”

The other category of consumer is the **organisational consumer**, which includes profit and not-for-profit organisations. Government agencies and institutions (such as local or state government, schools, hospitals etc.) buy products, equipment and services required for running these organisations. Manufacturing firms buy raw materials to produce and sell their own goods. They buy advertising services to communicate with their customers. Similarly, advertising service companies buy equipment to provide services they sell. Government agencies buy office products needed for everyday operations. The focus of this book is on studying behaviours of individual consumers, groups and organisations who buy products, services, ideas, or experiences etc. for personal, household, or organisational use to satisfy their needs. Anyone who regularly makes purchases from a store or a company is termed as “**customer**” of that store or the company.

DEVELOPMENT OF CONSUMER BEHAVIOUR FIELD

For a variety of reasons, the study of consumer behaviour has developed as an important and separate branch in marketing discipline. Scholars of marketing had observed that consumers did not always behave as suggested by economic theory. The size of the consumer market in all the developed and rapidly developing economies of

the world was extensive. A huge population of consumers was spending large sums of money on goods and services. Besides this, consumer preferences were shifting and becoming highly diversified. Even in case of industrial markets, where the need for goods and services is generally more homogenous, buyers' preferences were becoming diversified and they too were exhibiting less predictable purchase Behaviour.

Marketing researchers involved in studying the buying behaviour of consumers soon appreciated the fact that though there were many similarities, consumers were not all alike. There were those who used products currently in vogue while many consumers did not like using "me too" types of products and showed a preference for highly differentiated products that they felt met their special needs and reflected their personalities and lifestyles.

These findings led to the development of market segmentation concept, which required dividing the total heterogeneous but potential market into relatively smaller homogenous groups or segments for which they could design a specific marketing mix. They also used positioning techniques and developed promotional programmes to vary the image of their products, so that they were perceived as a better means to satisfying the specific needs of certain segments of consumers.

Other important factors that contributed to the development of consumer behaviour as a marketing discipline include shorter product life cycles, increased environmental concerns, interest in consumer protection, growth of services marketing, opening up of international markets and the development of computers and sophisticated techniques of statistical Analysis.

DISCIPLINES INVOLVED IN THE STUDY OF CONSUMER BEHAVIOUR

Consumer behaviour was a relatively new field of study during the second half of the 1960s without a history or research of its own. It is in fact a subset of human behaviour and it is often difficult to draw a distinct line between consumer-related behaviour and other aspects of human behaviour. The discipline of consumer behaviour has borrowed heavily from concepts developed in other disciplines of study such as psychology, sociology, social psychology, cultural anthropology and economics.

Psychology is the study of the individual, which includes motivation, perception, attitudes, personality and learning theories. All these factors are critical to an understanding of consumer behaviour and help us to comprehend consumption related

needs of individuals, their actions and responses to different promotional messages and products and the way their experiences and personality characteristics influence product choices.

Sociology is the study of groups. When individuals form groups, their actions are sometimes quite different from the actions of those very individuals when they are operating alone. The influences of group memberships, family and social class on consumer behaviour are important” for the study of consumer behaviour.

Social psychology is a combination of sociology and psychology and studies how an individual operates in a group. It also studies how those whose opinions they respect such as peers, reference groups, their families and opinion leaders influence individuals in their consumption behaviour.

Cultural anthropology is the study of human beings in society. It explores the development of core beliefs, values and customs that individuals inherit from their parents and grandparents, which influence their purchase and consumption behaviour. It also studies sub-cultures and helps compare consumers of different nationalities and cultures.

Economics: An important aspect of the study of economics is the study of how consumers spend their funds, how they evaluate alternatives and how they make decisions to get maximum satisfaction from their purchases.

Despite the fact that consumer behaviour as a field of study is relatively of recent origin, it has grown enormously, has become a full-blown discipline of its own and is used in the study of most programmes of marketing study.

The marketing concept was accepted and adopted by a large number of companies in the developed countries, particularly the United States and this provided an impetus to study the consumer behaviour. Companies had to engage in extensive marketing research to identify unsatisfied consumer needs. In this process, marketers learnt that consumers were highly complex as individuals and had very different psychological and social needs, quite apart from their survival needs. They also discovered that needs and priorities of different consumer segments differed significantly. They realised that to design products and develop suitable marketing strategies that would satisfy consumer needs, they had to first study consumers and the consumption related behaviour in depth. In this manner, market segmentation and marketing concept paved the way for the application of consumer behaviour principles to marketing strategy.

CONSUMER BEHAVIOUR APPLICATIONS IN MARKETING

Consumer behaviour principles are applied in many areas of marketing as discussed below:

Analysing market opportunity: Consumer behaviour study helps in identifying the unfulfilled needs and wants of consumers. This requires examining the trends and conditions operating in the marketplace, consumers' lifestyles, income levels and emerging influences. This may reveal unsatisfied needs and wants. The trend towards increasing number of dual income households and greater emphasis on convenience and leisure have led to emerging needs for household gadgets such as washing machine, mixer grinder, vacuum cleaner and childcare centres etc. Mosquito repellents have been marketed in response to a genuine and unfulfilled consumer need.

Selecting target market: A review of market opportunities often helps in identifying distinct consumer segments with very distinct and unique wants and needs. Identifying these groups, learning how they behave and how they make purchase decisions enables the marketer to design and market products or services particularly suited to their wants and needs. **For example,** consumer studies revealed that many existing and potential shampoo users did not want to buy shampoo packs priced at Rs. 60 or more and would rather prefer a low-priced sachet containing enough quantity for one or two washes. This finding led companies to introduce the shampoo sachet, which became a good seller.

In case of consumer durables market in India marketers are targeting the higher income class with special features in the equipments as well as longer warranty period and of course world class quality. In case of semi urban and rural areas consumers who prefer the basic offerings or slightly modern version of the product are targeted.

MARKETING - MIX DECISIONS

Once unsatisfied needs and wants are identified, the marketer has to determine the right mix of product, price, distribution and promotion. Here too, consumer behaviour study is very helpful in finding answers to many perplexing questions.

Product: The marketer designs the product or service that would satisfy unfulfilled needs or wants. Further decisions regarding the product concern the size, shape and features. The marketer also has to decide about packaging, important aspects of service, warranties and accessories etc. Nestle first introduced Maggi noodles in

masala and capsicum flavours. Subsequently, keeping in view the consumer preferences in some regions, the company introduced garlic, Sambar, Mixed Vegetables, Dal Atta Noodles, etc.

Price: The second important component of marketing mix is price. Marketers must decide what price to charge for the product or service. These decisions will influence the flow of revenue to the company. Should the marketer charge the same, higher, or lower price in comparison to competition? Is the consumer price sensitive and would a lower price stimulate sales? Should there be any price with discounts? Do consumers perceive lower price indicative of poor quality? To answer such questions, the marketer must understand the way the company's product is perceived by consumers, the importance of price as a purchase decision variable and how different price levels would affect sales. It is only through consumer behaviour study in actual buying situations that the marketer can hope to find answers to these important issues.

Promotion: Promotion is concerned with marketing communications to consumers. The more important promotion methods are advertising, personal selling, sales promotion, publicity and direct marketing. The marketer has to decide which method would be most suitable to effectively reach the consumers. Should it be advertising alone or should it be combined with sales promotion? The company has to know the target consumers, their location, what media do they have access to and what are their media preferences, etc.

In most cases of industrial products, there is very little or no advertising. Brochures containing technical specifications are often posted to clients and the salespeople make follow-up visits. Consumer products get the maximum share of advertising. The pharmaceutical industry exclusively uses personal selling for prescription drugs. Insurance companies use both advertising and personal selling. Basically speaking Promotion is the tool of marketing which has been used to attract consumers towards the product or organisation. Some cases it has been used for creating positive attitude towards organisation. Sales Promotion is the most effective weapon for converting non-users of product to users of the product in the rural areas as well as in semi urban area for absolute new product. One can't use same sales promotion tool for every type of product. Depending upon the product and type of consumers marketers have to develop different promotional strategies. Specifically in case of consumer durables like Television promotional strategies for the same TV model is different in Gujarat and in Uttar Pradesh.

Place: The next decision relates to the distribution channel, that is, where and how to offer products and services for sale. Should the products be

sold through all the retail outlets or only through selected ones? Should the marketer use only the existing outlets, which also sell competing brands, or should new exclusive outlets selling only the marketer's brands be created? Is the location of retail outlets important from consumers' point of view? Should the company think of direct marketing?

The answers to these questions are furnished by consumer behaviour research. For example, when Eureka Forbes introduced its vacuum cleaners many years ago, few stores knew anything about this product and most were not willing to buy it. Consumer awareness about the product was also low and no retail shops carried the product. Under these circumstances, the company decided to sell the product only through personal selling, with salespeople calling directly on the consumer at her/his home. These salespeople had enough time to explain and demonstrate the vacuum cleaner and convince prospects about its usefulness. Retail outlets would not have been suitable for this sales approach. This strategy was based on understanding of consumer behaviour and yielded good results.

Use in Social and Non-profits Marketing: Consumer behaviour studies are useful to design marketing strategies by social, governmental and not-for-profit organisations to make their programmes more effective such as family planning, awareness about AIDS, crime against women, safe driving, environmental concerns and others. UNICEF (greeting cards), Red Cross and CRY etc. make use of consumer behaviour understanding to sell their services and products and also try to motivate people to support these institutions.

A model refers to a simplified depiction of reality and includes only those aspects of reality that interest a particular model developer. Models assist in constructing a theory that guides research on consumer behaviour and facilitates learning of what is known about consumer behaviour.

Economists, with the objective of understanding economic systems, developed the earliest consumer behaviour models in the early 19th century. With consumer behaviour becoming a distinct discipline of study, newer approaches were developed to explain the processes that influenced consumer behaviour. These contemporary descriptions and explanations are quite different from all the earlier approaches because their focus is on the decision process that consumers go through when deliberating about buying products and services. Thus, contrary to die economic models the emphasis shifts to mental activity that occurs before, during, and post - purchase.

Scholars have developed a large number of consumer behaviour models. There are significant variations in these models in terms of sophistication, precision, area of knowledge, and scope. Three models are presented here. The Nicosia model represents one of the earliest attempts to explain consumer behaviour, the Howard-Sheth model presents a more comprehensive theory of buyer behaviour, and the EKB model is viewed as the most popular representation of consumer behaviour. Salient features of these models are presented here.