Unit 1

Consumer Behavior: Meaning and Nature

Consumer behavior is the study of how individual customers, groups or organizations 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.

Marketers expect that by understanding what causes the consumers to buy particular goods and services, they will be able to determine—which products are needed in the marketplace, which are obsolete, and how best to present the goods to the consumers.

The study of consumer behavior assumes that the consumers are actors in the marketplace. The perspective of role theory assumes that consumers play various roles in the marketplace. Starting from the information provider, from the user to the payer and to the disposer, consumers play these roles in the decision process.

The roles also vary in different consumption situations; for example, a mother plays the role of an influencer in a child's purchase process, whereas she plays the role of a disposer for the products consumed by the family.

Some selected definitions of consumer behavior are as follows:

According to Engel, Blackwell, and Mansard, 'consumer behavior is the actions and decision processes of people who purchase goods and services for personal consumption'.

According to Louden and Bitta, 'consumer behavior is the decision process and physical activity, which individuals engage in when evaluating, acquiring, using or disposing of goods and services'.

Nature of Consumer Behavior

1. ## Influenced by various factors

The various factors that influence the consumer behaviour are as follows:

- Marketing factors such as product design, price, promotion, packaging, positioning and distribution.
- Personal factors such as age, gender, education and income level.
- Psychological factors such as buying motives, perception of the product and attitudes towards the product.
- Situational factors such as physical surroundings at the time of purchase, social surroundings and time factor.
- Social factors such as social status, reference groups and family.
- Cultural factors, such as religion, social class—caste and sub-castes.
2. ## Undergoes a constant change

Consumer behavior is not static. It undergoes a change over a period of time depending on the nature of products. For example, kids prefer colourful and fancy footwear, but as they grow up as teenagers and young adults, they prefer trendy footwear, and as middle-aged and senior citizens they prefer more sober footwear. The change in buying

behavior may take place due to several other factors such as increase in income level, education level and marketing factors.

3. Varies from consumer to consumer

All consumers do not behave in the same manner. Different consumers behave differently. The differences in consumer behavior are due to individual factors such as the nature of the consumers, lifestyle and culture. For example, some consumers are technoholics. They go on a shopping and spend beyond their means.

They borrow money from friends, relatives, banks, and at times even adopt unethical means to spend on shopping of advance technologies. But there are other consumers who, despite having surplus money, do not go even for the regular purchases and avoid use and purchase of advance technologies.

4. Varies from region to region and country to county

The consumer behavior varies across states, regions and countries. For example, the behavior of the urban consumers is different from that of the rural consumers. A good number of rural consumers are conservative in their buying behaviors.

The rich rural consumers may think twice to spend on luxuries despite having sufficient funds, whereas the urban consumers may even take bank loans to buy luxury items such as cars and household appliances. The consumer behavior may also varies across the states, regions and countries. It may differ depending on the upbringing, lifestyles and level of development.

5. Information on consumer behavior is important to the marketers

Marketers need to have a good knowledge of the consumer behavior. They need to study the various factors that influence the consumer behavior of their target customers.

6. Leads to purchase decision

A positive consumer behavior leads to a purchase decision. A consumer may take the decision of buying a product on the basis of different buying motives. The purchase decision leads to higher demand, and the sales of the marketers increase. Therefore, marketers need to influence consumer behavior to increase their purchases.

7. Varies from product to product

Consumer behavior is different for different products. There are some consumers who may buy more quantity of certain items and very low or no quantity of other items. For example, teenagers may spend heavily on products such as cell phones and branded wears for snob appeal, but may not spend on general and academic reading. A middle-aged person may spend less on clothing, but may invest money in savings, insurance schemes, pension schemes, and so on.

8. Improves standard of living

The buying behavior of the consumers may lead to higher standard of living. The more a person buys the goods and services, the higher is the standard of living. But if a person spends less on goods and services, despite having a good income, they deprives themselves of higher standard of living.

9. Reflects status

The consumer behavior is not only influenced by the status of a consumer, but it also reflects it. The consumers who own luxury cars, watches and other items are considered belonging to a higher status. The luxury items also give a sense of pride to the owners.

Diversity of Consumer Behaviour

Consumer: A person or individual who uses Goods or Services

Behaviour: The way a person behaves toward other people or things.

Consumer Market: "All the individuals and households who buy goods and services."

Consumer Behaviour: "All psychological, Social, and physical behaviour of all potential consumers as they become aware of, evaluate, purchase, consume and tell others about products and services."

Consumer behaviour of Indian Consumer is different from Americans or Japanese or French or other country or regions. Consumer behaviour is mainly depends on influence of values, beliefs, culture, climate, customs, practices and social structure etc.

Consumers——-> Demand for Goods and Services

A Business Firm——>Delivery or Supply of Goods and Services to the Customers/Consumers

Consumer behavior is multidimensional in nature and it is influenced by the following subjects:

- Sociology is the study of groups. When individuals form groups, their actions are sometimes relatively different from the actions of those individuals when they are operating individually.
- Psychology is a discipline that deals with the study of mind and behavior. It helps in understanding individuals and groups by establishing general principles and researching specific cases. Psychology plays a vital role in understanding how consumers behave while making a purchase.
- Cultural Anthropology is the study of human beings in society. It explores the development of central beliefs, values and customs that individuals inherit from their parents, which influence their purchasing patterns.
- Social Psychology is a combination of sociology and psychology. It explains how an individual operates in a group. Group dynamics play an important role in purchasing decisions. Opinions of peers, reference groups, their families and opinion leaders influence individuals in their behavior.

Cardinal and Ordinal Approaches to Consumer Behaviour

The utility is a psychological phenomenon; that implies the satisfying power of a good or service. It differs from person to person, as it depends on a person's mental attitude. The measurability of utility is always a matter of contention. The two principal theories for the utility are cardinal utility and ordinal utility. Many traditional economists hold the view that utility is measured quantitatively, like length, height, weight, temperature, etc. This concept is known as cardinal utility concept.

On the other hand, ordinal utility concept expresses the utility of a commodity in terms of 'less than' or 'more than'. Take a read of the article to know the important differences between cardinal and ordinal utility.

Comparison

BASIS FOR COMPARISON	CARDINAL UTILITY	ORDINAL UTILITY
Meaning	Cardinal utility is the utility wherein the satisfaction derived by the consumers from the consumption of good or service can be expressed numerically.	Ordinal utility states that the satifaction which a consumer derives from the consumption of good or service cannot be expressed numerical units.
Approach	Quantitative	Qualitative
Realistic	Less	More
Measurement	Utils	Ranks

Analysis	Marginal Utility Analysis	Indifference Curve Analysis
Promoted by	Classical and Neo-classical Economists	Modern Economists

Cardinal Utility

The notion of Cardinal utility was formulated by Neo-classical economists, who hold that utility is measurable and can be expressed quantitatively or cardinally, i.e. 1, 2, 3, and so on. The traditional economists developed the theory of consumption based on cardinal measurement of utility, for which they coined the term 'Util' expands to Units of utility. It is assumed that one util is equal to one unit of money, and there is the constant utility of money.

Further, it has been realised with the passage of time that the cardinal measurement of utility is not possible, thus less realistic. There are many difficulties in measuring utility numerically, as the utility derived by the consumer from a good or service depends on a number of factors such as mood, interest, taste, preferences and much more.

Ordinal Utility

Ordinal Utility is propounded by the modern economists, J.R. Hicks, and R.G.D. Allen, which states that it is not possible for consumers to express the satisfaction derived from a commodity in absolute or numerical terms. Modern Economists hold that utility being a psychological phenomenon, cannot be measured quantitatively, theoretically

and conceptually. However, a person can introspectively express whether a good or service provides more, less or equal satisfaction when compared to one another.

In this way, the measurement of utility is ordinal, i.e. qualitative, based on the ranking of preferences for commodities. For example: Suppose a person prefers tea to coffee and coffee to milk. Hence, he or she can tell subjectively, his/her preferences, i.e. tea > coffee > milk.

Differences Between Cardinal and Ordinal Utility

The following points are noteworthy so far as the difference between cardinal and ordinal utility is concerned:
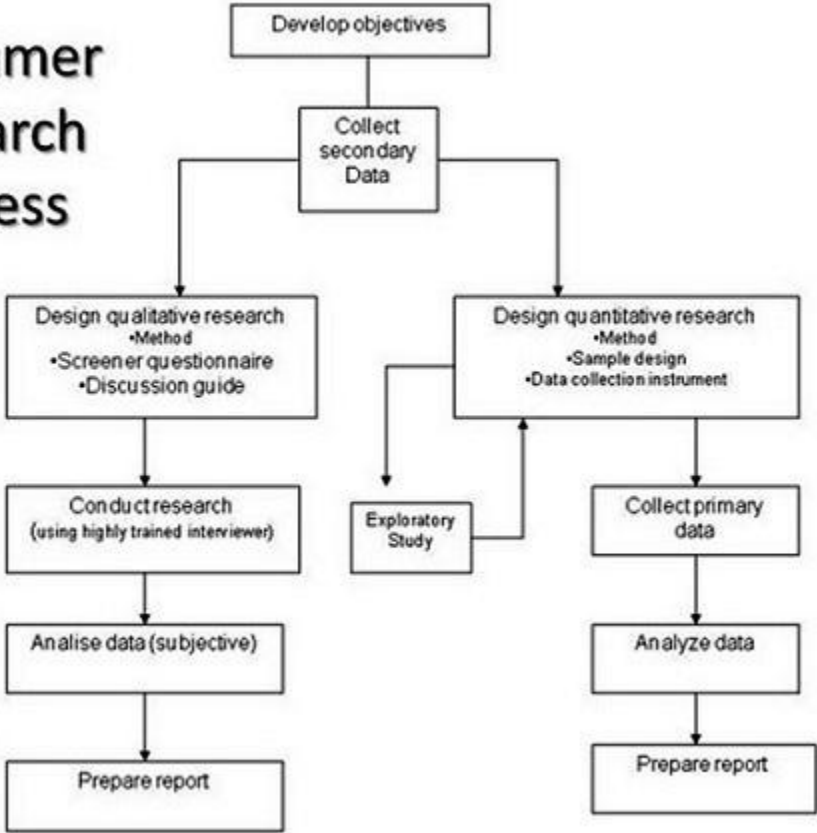
1. Cardinal utility is the utility wherein the satisfaction derived by the consumers from the consumption of good or service can be measured numerically. Ordinal utility states that the satisfaction which a consumer derives from the consumption of product or service cannot be measured numerically.
2. Cardinal utility measures the utility objectively, whereas there is a subjective measurement of ordinal utility.
3. Cardinal utility is less realistic, as quantitative measurement of utility is not possible. On the other end, the ordinal utility is more realistic as it relies on qualitative measurement.
4. Cardinal utility, is based on marginal utility analysis. As against this, the concept of ordinal utility is based on indifference curve analysis.
5. The cardinal utility is measured in terms of utils, i.e. units of utility. On the contrary, the ordinal utility is measured in terms of ranking of preferences of a commodity when compared to each other.
6. Cardinal utility approach propounded by Alfred Marshall and his followers. Conversely, ordinal utility approach pioneered by Hicks and Allen.

Researching Consumer Behaviour

Consumer research plays a very important aspect, especially when a company decides to launch a new product into the market. Companies conduct market research to better understand the consumers, their needs and their satisfaction level.

After conducting various surveys and focus groups, companies analyze the consumer data and then make recommendations based on the results.

Developing Research Objectives

The first step in the consumer research process is developing the research objectives which involves defining the purposes and objectives to ensure an appropriate design. A statement of objective helps to define the type and level of information needed.

Collect Secondary Data

There are two distinct sources of secondary data − internal and external. Always seek internal sources first. Most go straight to Google without considering the fact that data might exist within the organization itself. This can sometimes be in the 'heads' of the personnel.

External Sources

External sources are numerous. Consumer Generated Media (CGM), especially, has grown in importance as a data source. The key is to avoid spending too much time following 'blind alleys'. This is where the time and cost can escalate sharply.

- Directories
- Country information
- Published marketing research reports
- News sources
- CGM (Newsgroups, blogs, groups)
- Internet – single search engines, and multiple search engines
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Primary Research

Primary research is basically the original research. Here you yourself collect the information through various tools available. In primary research, you don't tend to depend on any third parties. You may conduct interviews or surveys, observe, or even directly go to the object for collecting information.

Quantitative Research

A quantitative research study is comprised of research design, the data collection methods, instruments to be used, and the sample design.

Following are the three basic designs or approaches used for quantitative design −

- Observational Research− In this method of observational research, the people or customers are observed effectively when they purchase a particular product. It helps the researcher to gain in-depth understanding of the relationship between the people and products by observing them while purchasing and using the product.
- Experimentation− Experimentation is a type of research where only certain variables are manipulated while others are kept constant in order to encourage the change in the constant variable
- Surveys− A survey is a method of research in which an interviewer interacts with respondents to obtain facts, opinions and attitudes.

Following are the various survey methods which are generally used −

- Personal interview survey
- Telephone survey
- Mail surveys
- Online surveys
- Quantitative research data collection instruments

Data Collection Instruments for Quantitative Research Data

Questionnaire and Attitude Scale − For quantitative research the primary data collection instrument is a questionnaire and the most frequent one is attitude scale which is used to capture evaluative data.

Following are the important methods of data collection in the qualitative design techniques which are used in the initial stages of research.

- In-Depth Interview− Depth interview is conducted in length and in a non-structured manner where the interviewer is highly trained and minimizes his own participation in the discussion once the general subject is discussed.
- Focus Group− Focus group involves many respondents who interact with the analyst in a group discussion and focuses on a particular product.

Projective Techniques

Projective techniques are best used to understand the motives of people when they are unconsciously rational.

The analyst generally analyzes and reports his findings based on the responses received in qualitative research whereas in quantitative analysis, the researchers oversees the complete research, analyses the open ended questions, classifies the responses and systematically tabulate them.

Economic Model

According to economic theory, the buyers are assumed to be rational in their decision making. They follow the law of marginal utility. Consumers evaluate the alternatives available & they choose the alternative which would provide them with highest utility & lowest cost. Consumer allocates his/her expenditure over different products at given price so as to maximize utility. Thus, the law of eque-marginal utility enables him/her to secure maximum utility from limited purchasing power. The purchasing decision is based on economic calculation & reasons.

The Economic Model, one of the oldest models of Consumer Behaviour tries to explains what a person is likely to buy and in what quantity. This model takes into consideration the behaviour of an economic man, who would give foremost importance to the monetary or financial considerations while making a decision. The ultimate objective of an individual, as per this model, is the maximization of satisfaction by investing the minimum money resources for the satisfaction of needs and wants.

Despite having certain limitations, it is one of the widely used models of consumer behaviour and is a must know for all the students of marketing and business management.

Economic model of consumer behaviour is un-dimensional. The following presumptions are made about buying behaviour.

- Lower the price of the product, larger will be the quantity bought- price effect.
- Higher is the purchasing power, higher will be the quantity- Income effect.
- Lower the price of a substitute product, lesser the quantity that will be bought of the original product- substitution effect.

- Higher the promotional expenditure higher will be the sales Communication effect.

Psychoanalytic Model

The model suggests that human needs operate at various levels of consciousness. His motivation which is in these different levels, are not clear to the casual observer. They can only be analyzed by vital and specialized searching.

According to Freud, our personality develops from the interactions among what he proposed as the three fundamental structures of the human mind: the id, ego, and superego. Conflicts among these three structures, and our efforts to find balance among what each of them "desires," determines how we behave and approach the world. What balance we strike in any given situation determines how we will resolve the conflict between two overarching behavioral tendencies: our biological aggressive and pleasure-seeking drives vs. our socialized internal control over those drives.

The Id

The *id*, the most primitive of the three structures, is concerned with instant gratification of basic physical needs and urges. It operates entirely unconsciously (outside of conscious thought). For example, if your id walked past a stranger eating ice cream, it would most likely take the ice cream for itself. It doesn't know, or care, that it is rude to take something belonging to someone else; it would care only that you wanted the ice cream.

The Superego

The *superego* is concerned with social rules and morals—similar to what many people call their " conscience " or their "moral compass." It develops as a child learns what their culture considers right and wrong. If your superego walked past the same stranger, it would not take their ice cream because it would know that that would be rude. However, if both your id *and* your superego were involved, and your id was strong enough to override your superego's concern, you *would* still take the ice cream, but afterward you would most likely feel guilt and shame over your actions.

The Ego

In contrast to the instinctual id and the moral superego, the *ego* is the rational, pragmatic part of our personality. It is less primitive than the id and is partly conscious and partly unconscious. It's what Freud considered to be the "self," and its job is to balance the demands of the id and superego in the practical context of reality. So, if you walked past the stranger with ice cream one more time, your ego would mediate the conflict between your id ("I want that ice cream right now") and superego ("It's wrong to take someone else's ice cream") and decide to go buy your own ice cream. While this may mean you have to wait 10 more minutes, which would frustrate your id, your ego decides to make that sacrifice as part of the compromise– satisfying your desire for ice cream while also avoiding an unpleasant social situation and potential feelings of shame.

Sociological Model

This is concerned with the society. A consumer is an element of the society and he may be a member of many groups and institutions in a society. His buying behavior is influenced by these groups. Primary groups of family friend's relatives and close associates extract a lot of influence on his buying.

A consumer may be a member of a political party where his dress norms are different from different member. As a member of an elite organization, his dress needs may be different, thus he has to buy things that confirm to his lifestyle in different groups.

Buyer Behaviour Model

1. ## BLACK BOX MODEL

The black box model shows the interaction of stimuli, consumer characteristics, decision process and consumer responses. It can be distinguished between interpersonal stimuli (between people) or intrapersonal stimuli (within people).

The black box model is related to the black box theory of behaviourism, where the focus is not set on the processes inside a consumer, but the relation between the stimuli and the response of the consumer.

The marketing stimuli are planned and processed by the companies, whereas the environmental stimulus is given by social factors, based on the economical, political and cultural circumstances of a society. The buyer's black box contains the Buyer Characteristics and the Decision Process, which determines the buyer's response.
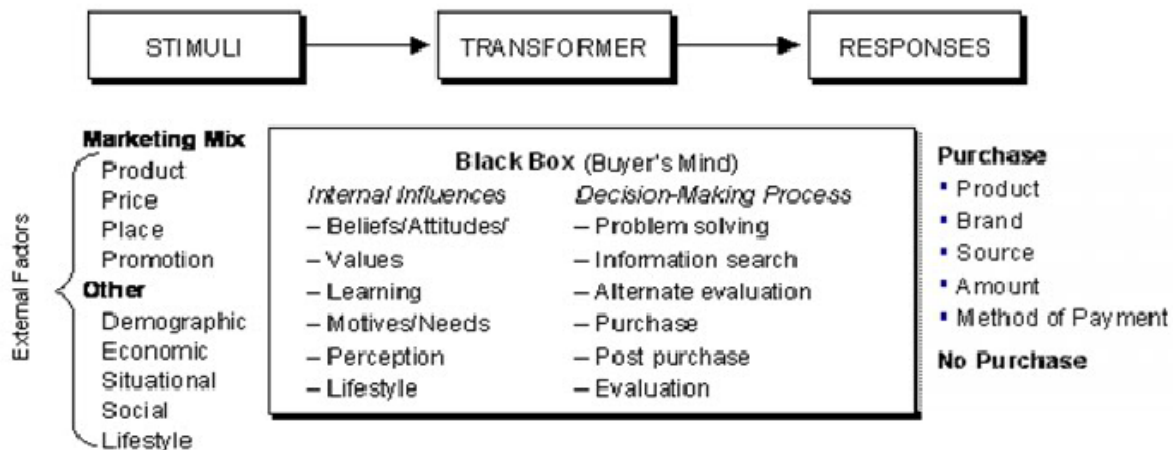
The black box model considers the buyers response as a result of a conscious, rational decision process, in which it is assumed that the buyer has recognized the problem. However, in reality many decisions are not made in awareness of a determined problem by the consumer. Once the consumer has recognized a problem, they search for information on products and services that can solve that problem.

2. NICOSIA MODEL (CONFLICT MODEL)

This model focuses on the relationship between the firm and consumers. The firm communicates with consumers through its marketing messages (advertising), and the consumers react to these messages by purchasing response. Looking to the model we will find that the firm and the consumer are connected with each other, the firm tries to influence the consumer and the consumer is influencing the firm by his decision. The Nicosia model is divided into four major fields:

Field 1: The consumer attitude based on the firms' messages. The first field is divided into two subfields. The first subfield deals with the firm's marketing environment and communication efforts that affect consumer attitudes, the competitive environment, and

characteristics of target market. Subfield two specifies the consumer characteristics e.g., experience, personality, and how he perceives the promotional idea toward the product in this stage the consumer forms his attitude toward the firm's product based on his interpretation of the message.

Field 2: search and evaluation The consumer will start to search for other firm's brand and evaluate the firm's brand in comparison with alternate brands. In this case the firm motivates the consumer to purchase its brands.

Field 3: The act of the purchase The result of motivation will arise by convincing the consumer to purchase the firm products from a specific retailer.

Field 4: Feedback This model analyses the feedback of both the firm and the consumer after purchasing the product. The firm will benefit from its sales data as a feedback, and the consumer will use his experience with the product affects the individuals attitude and predisposition's concerning future messages from the firm.
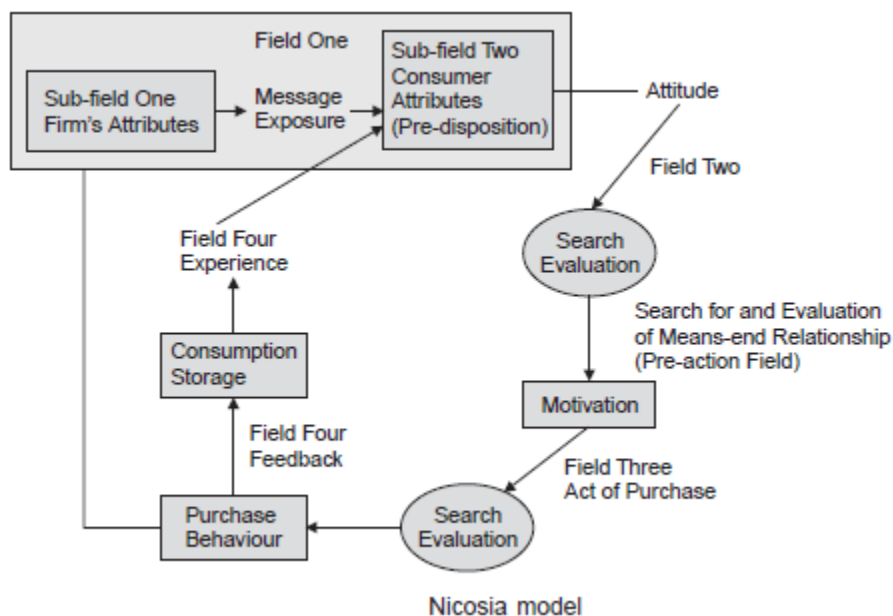
Nicosia model

The Nicosia model offers no detail explanation of the internal factors, which may affect the personality of the consumer, and how the consumer develops his attitude toward the product. For example, the consumer may find the firm's message very interesting, but virtually he cannot buy the firm's brand because it contains something prohibited according to his beliefs. Apparently it is very essential to include such factors in the model, which give more interpretation about the attributes affecting the decision process.

3. HOWARD-SHETH MODEL

This model suggests three levels of decision making:

1. The first level describes the extensive problem solving. At this level the consumer does not have any basic information or knowledge about the brand and he does not have any preferences for any product. In this situation, the consumer will seek information about all the different brands in the market before purchasing.
2. The second level is limited problem solving. This situation exists for consumers who have little knowledge about the market, or partial knowledge about what they want to purchase. In order to arrive at a brand preference some comparative brand information is sought.
3. The third level is a habitual response behavior. In this level the consumer knows very well about the different brands and he can differentiate between the different characteristics of each product, and he already decides to purchase a particular product. According to the Howard-Sheth model there are four major sets of variables; namely:

(a) Inputs– These input variables consist of three distinct types of stimuli(information sources) in the consumer's environment. The marketer in the form of product or brand information furnishes physical brand characteristics (significant stimuli) and verbal or

visual product characteristics (symbolic stimuli). The third type is provided by the consumer's social environment (family, reference group, and social class). All three types of stimuli provide inputs concerning the product class or specific brands to the specific consumer.

(b) 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. For example, stimulus ambiguity happened when the consumer does not understand the message from the environment.

(c) Outputs- The outputs are the results of the perceptual and learning variables and how the consumers will response to these variables (attention, brand comprehension, attitudes, and intention).

(d) Exogenous(External) variables- Exogenous variables are not directly part of the decision-making process. However, some relevant exogenous variables include the importance of the purchase, consumer personality traits, religion, and time pressure.
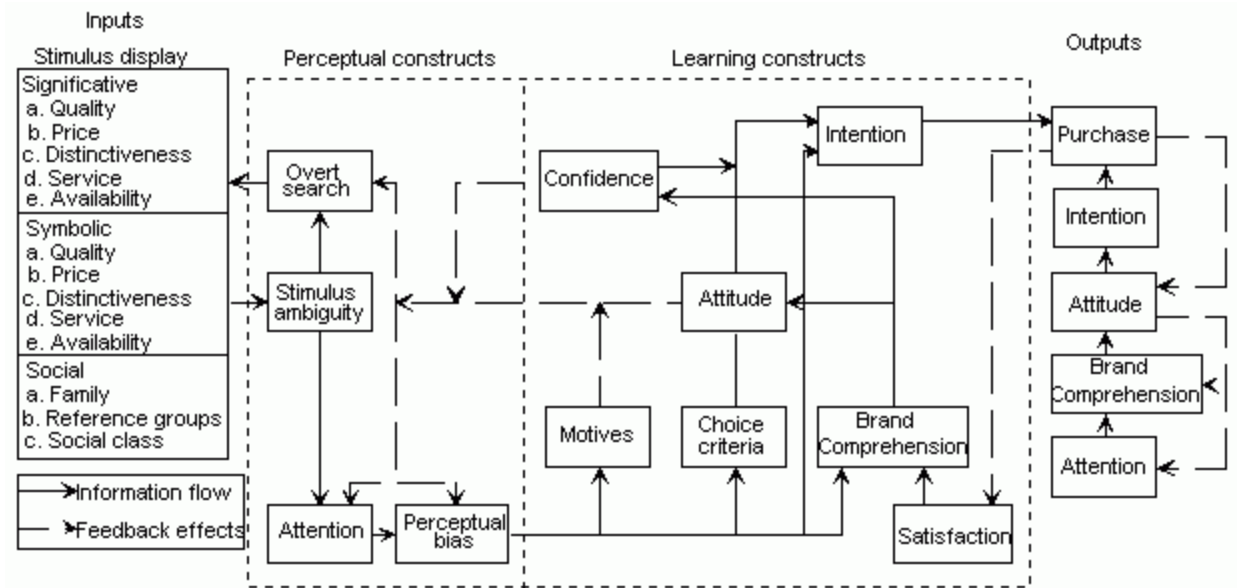
The decision-making process, which Howard-Sheth Model tries to explain, takes place at three Inputs stages: Significance, Symbolic and Social stimuli. In both significant and symbolic stimuli, the model emphasizes on material aspects such as price and quality. These stimuli are not applicable in every society. While in social stimuli the model does not mention the basis of decision-making in this stimulus, such as what influence the family decision? This may differ from one society to another. Finally, no direct relation was drawn on the role of religion in influencing the consumer's decision-making processes. Religion was considered as external factor with no real influence on consumer, which give the model obvious weakness in anticipation the consumer decision.

4. ENGEL, BLACKWELL, MINIARD MODEL (OPEN SYSTEM)

This model was created to describe the increasing, fast-growing body of knowledge concerning consumer behavior. This model, like in other models, has gone through

many revisions to improve its descriptive ability of the basic relationships between components and sub-components, this model consists also of four stages;

Engel-Blackwell-Miniard Model

Source: Blackwell, Miniard and Engel, 2001; Rau and Samiee, 1981; Foxall, 1980.
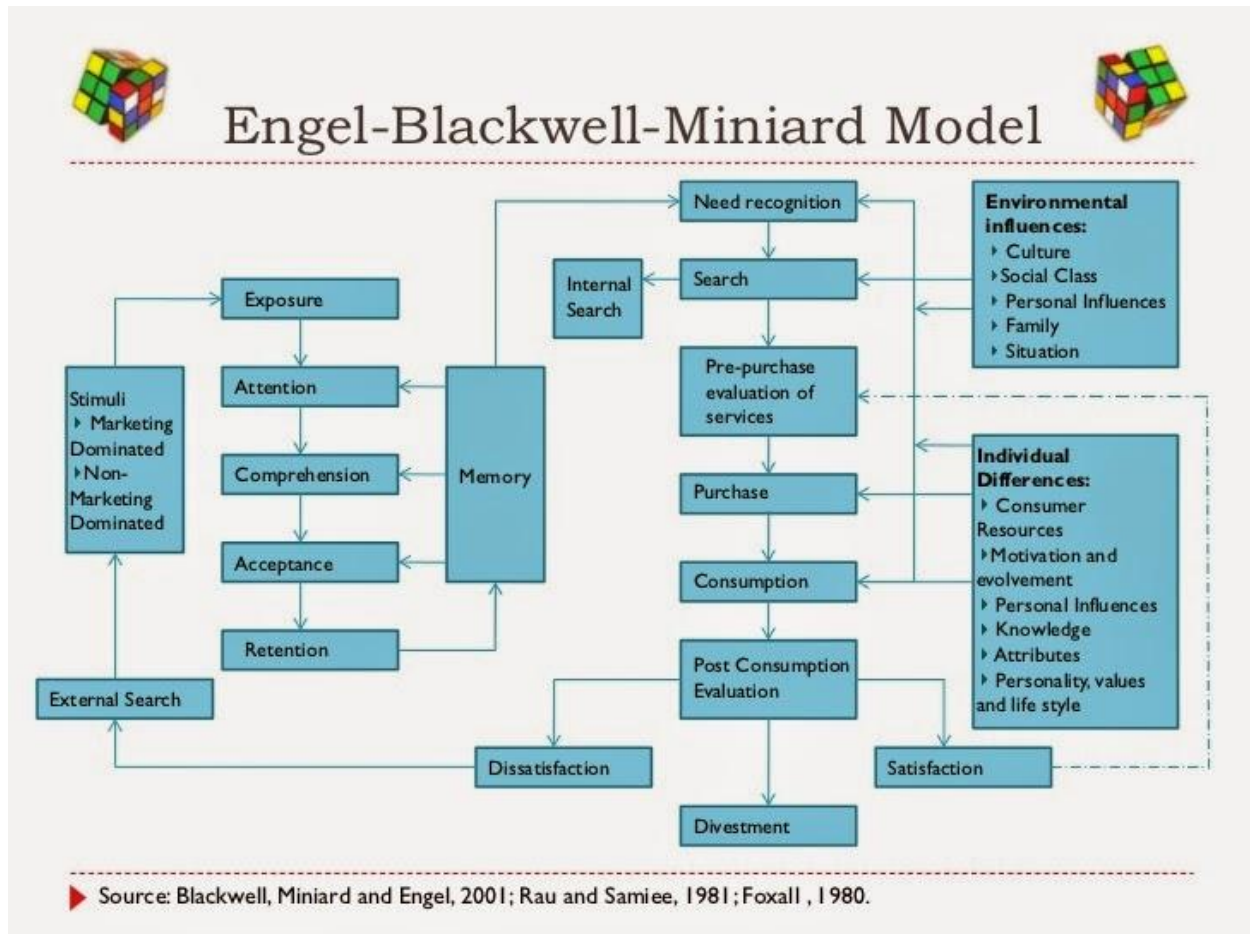
First stage: decision-process stages The central focus of the model is on five basic decision-process stages:

Problem recognition, search for alternatives, alternate evaluation(during which beliefs may lead to the formation of attitudes, which in turn may result in a purchase intention) purchase, and outcomes. But it is not necessary for every consumer to go through all these stages; it depends on whether it is an extended or a routine problem-solving behavior.

Second stage: Information input At this stage the consumer gets information from marketing and non-marketing sources, which also influence the problem recognition stage of the decision-making process. If the consumer still does not arrive to a specific decision, the search for external information will be activated in order to arrive to a choice or in some cases if the consumer experience dissonance because the selected alternative is less satisfactory than expected.

Third stage: information processing This stage consists of the consumer's exposure, attention, perception, acceptance, and retention of incoming information. The consumer must first be exposed to the message, allocate space for this information, interpret the stimuli, and retain the message by transferring the input to long-term memory.

Fourth stage: variables influencing the decision process   This stage consists of individual and environmental influences that affect all five stages of the decision process. Individual characteristics include motives, values, lifestyle, and personality; the social influences are culture, reference groups, and family. Situational influences, such as a consumer's financial condition, also influence the decision process.

This model incorporates many items, which influence consumer decision-making such as values, lifestyle, personality and culture. The model did not show what factors shape these items, and why different types of personality can produce different decision-making? How will we apply these values to cope with different personalities? Religion can explain some behavioral characteristics of the consumer, and this will lead to better understanding of the model and will give more comprehensive view on decision-making.

Unit 2
Factors Influencing Consumer Behavior

Consumer behavior can be broadly classified as the decisions and actions that influence the purchasing behavior of a consumer. What drives consumers to choose a particular product with respect to others is a question which is often analyzed and studied by marketers. Most of the selection process involved in purchasing is based on emotions and reasoning.

The study of consumer behavior not only helps to understand the past but even predict the future. The below underlined factors pertaining to the tendencies, attitude and priorities of people must be given due importance to have a fairly good understanding of the purchasing patterns of consumers

1. Marketing Campaigns

Advertisement plays a greater role in influencing the purchasing decisions made by consumers. They are even known to bring about a great shift in market shares of competitive industries by influencing the purchasing decisions of consumers. The Marketing campaigns done on regular basis can influence the consumer purchasing decision to such an extent that they may opt for one brand over another or indulge in indulgent or frivolous shopping. Marketing campaigns if undertaken at regular intervals even help to remind consumers to shop for not so exciting products such as health products or insurance policies.

2. Economic Conditions

Consumer spending decisions are known to be greatly influenced by the economic situation prevailing in the market. This holds true especially for purchases made of vehicles, houses and other household appliances. A positive economic environment is known to make consumers more confident and willing to indulge in purchases irrespective of their personal financial liabilities.

3. Personal Preferences

At the personal level, consumer behavior is influenced by various shades of likes, dislikes, priorities, morals and values. In certain dynamic industries such as fashion, food and personal care, the personal view and opinion of the consumer pertaining to style and fun can become the dominant influencing factor. Though advertisement can help in influencing these factors to some extent, the personal consumer likes and dislikes exert greater influence on the end purchase made by a consumer.

4. Group Influence

Group influence is also seen to affect the decisions made by a consumer. The primary influential group consisting of family members, classmates, immediate relatives and the secondary influential group consisting of neighbors and acquaintances are seen have greater influence on the purchasing decisions of a consumer. Say for instance, the mass liking for fast food over home cooked food or the craze for the SUV's against small utility vehicle are glaring examples of the same.

5. Purchasing Power

Purchasing power of a consumer plays an important role in influencing the consumer behavior. The consumers generally analyze their purchasing capacity before making a decision to buy and products or services. The product may be excellent, but if it fails to meet the buyers purchasing ability, it will have high impact on it its sales. Segmenting consumers based on their buying capacity would help in determining eligible consumers to achieve better results.
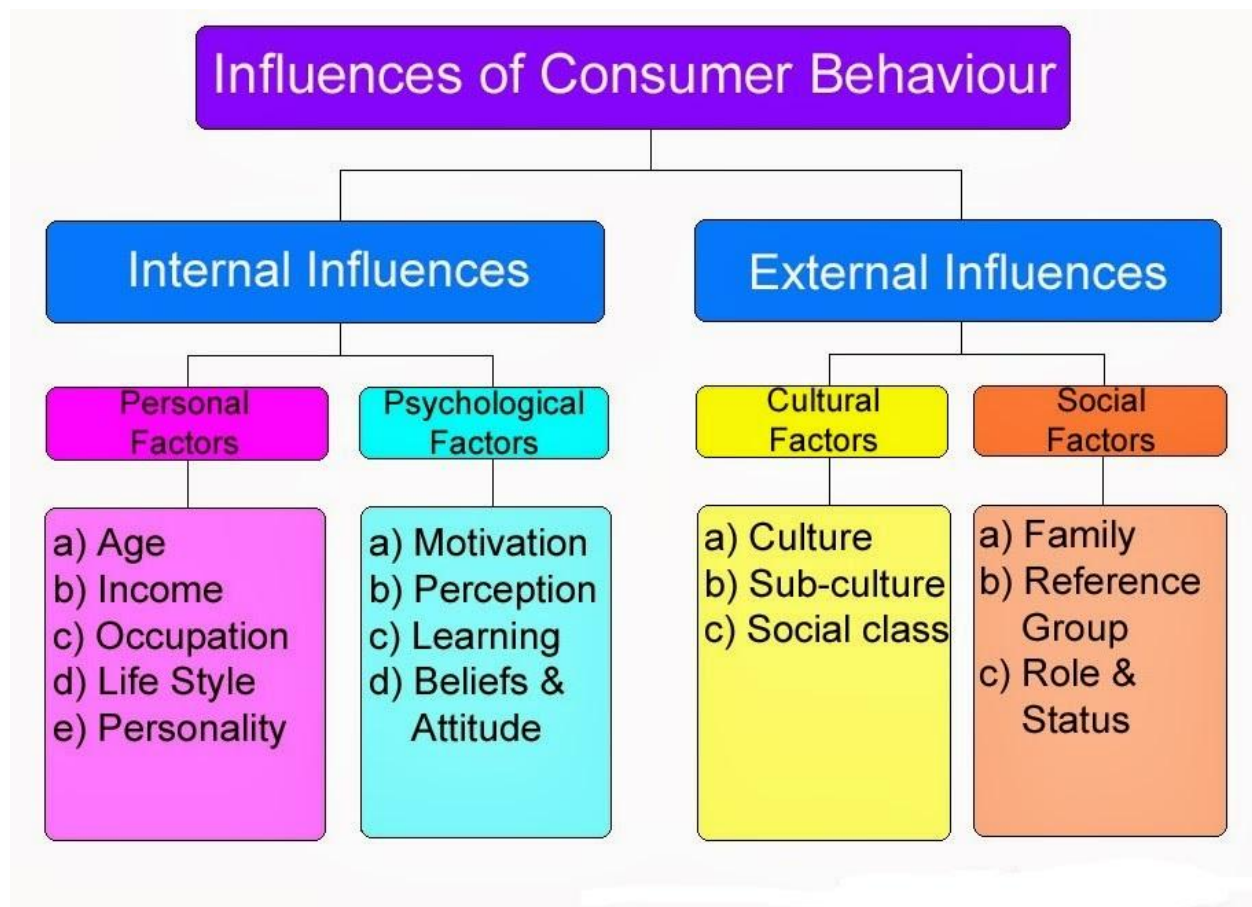
Perception Meaning and Process

Perception is an intellectual process of transforming sensory stimuli to meaningful information. It is the process of interpreting something that we see or hear in our mind and use it later to judge and give a verdict on a situation, person, group etc.

It can be divided into six types:

- **Of sound:** The ability to receive sound by identifying vibrations.
- **Of speech:** The competence of interpreting and understanding the sounds of language heard.
- **Touch:** Identifying objects through patterns of its surface by touching it.
- **Taste:** The ability to receive flavor of substances by tasting it through sensory organs known as taste buds.
- **Other senses:** They approve perception through body, like balance, acceleration, pain, time, sensation felt in throat and lungs etc.
- **Of the social world:** It permits people to understand other individuals and groups of their social world. Example − Priya goes to a restaurant and likes their customer service, so she will perceive that it is a good place to hang out and will recommend it to her friends, who may or may not like it. Priya's perception about the restaurant is good.

Perception Process

Perception process are the different stages of perception we go through. The different stages are:

- Receiving
- Selecting
- Organizing
- Interpreting

1. Receiving

Receiving is the first and most important stage in the process of perception. It is the initial stage in which a person collects all information and receives the information through the sense organs.

2. Selecting

Selecting is the second stage in the process. Here a person doesn't receive the data randomly but selectively. A person selects some information out of all in accordance with his interest or needs. The selection of data is dominated by various external and internal factors.

- **External factors:** The factors that influence the perception of an individual externally are intensity, size, contrast, movement, repetition, familiarity, and novelty.
- **Internal factors:** The factors that influence the perception of an individual internally are psychological requirements, learning, background, experience, self-acceptance, and interest.

3. Organizing

Keeping things in order or say in a synchronized way is organizing. In order to make sense of the data received, it is important to organize them.

We can organize the data by:

- Grouping them on the basis of their similarity, proximity, closure, continuity.
- Establishing a figure ground is the basic process in perception. Here by figure we mean what is kept as main focus and by ground we mean background stimuli, which are not given attention.
- Perceptual constancy that is the tendency to stabilize perception so that contextual changes don't affect them.

4. Interpreting

Finally, we have the process of interpreting which means forming an idea about a particular object depending upon the need or interest. Interpretation means that the information we have sensed and organized, is finally given a meaning by turning it into something that can be categorized. It includes stereotyping, halo effect etc.

Importance of Perception in OB

We need to understand what the role of perception in an organization is. It is very important in establishing different role of perceptions like:

- Understanding the tasks to be performed.
- Understanding associated importance of tasks allotted.
- Understanding preferred behavior to complete respective tasks.
- Clarifying role perceptions.

For example, every member in a group has to be clear regarding the role allotted to them. Programmer writes the code, tester checks it, etc.

Consumer Learning and Memory

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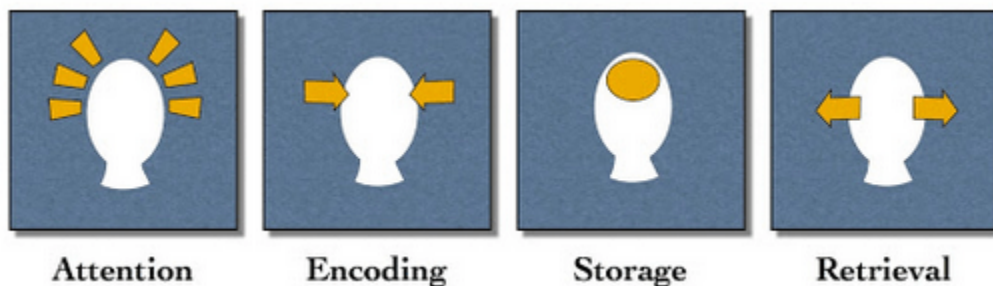
Classical Conditioning theory refers to learning through repetition. This is referred to as a spontaneous response to particular situation achieved by repetitive exposure. It is such a kind of a behavioral theory which says, when a stimulus is connected to or paired with another stimulus, it serves to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

CONSUMER MEMORY

Attention   Encoding   Storage   Retrieval

Memory is the process of storing and retrieving knowledge.

- Encoding is what happens when information is interpreted and placed in memory.
- Storage is the retaining of information in memory.
- Retrieval is what you do when you locate a stored memory.

Memory Systems

There are three distinct memory systems:

SENSORY MEMORY

The briefest memories are formed from sensory stimuli. If the individual finds the sensory experience significant enough to warrant further investigation, it may pass into short-term memory.

SHORT-TERM MEMORY

We process selected bits of information and store it for a limited time. We store this information by combining small pieces into larger ones in a process called *chunking*.

LONG-TERM MEMORY

This is the permanent storage of information, which can be recalled at will. This occurs when we consider the meaning of a stimulus and relate it to other information already in memory.

Marketers attempt to engage our existing memories and experiences in order to get their brand message into our long-term memory. They also make use of repetition and redundancy in advertising in order to present us with many opportunities to commit them to long-term memory.

Consumer Learning and Memory

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.

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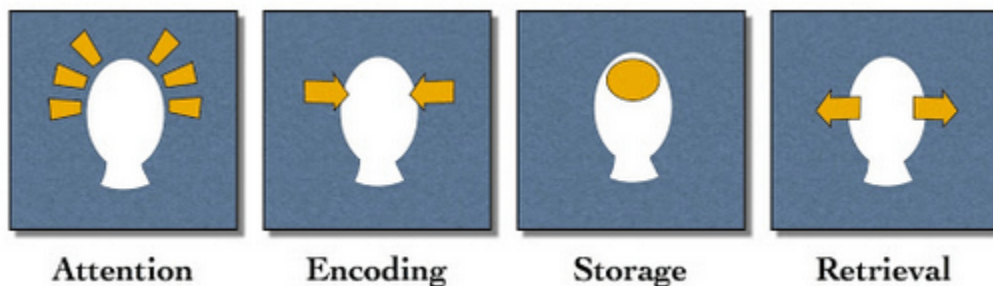
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Scope and Significance of Consumer Behavior

1. Consumer behavior and marketing Management

Effective business managers realise the importance of marketing to the success of their firm. A sound understanding of consumer behavior is essential to the long run success of any marketing program. In fact, it is seen as a comerstone of the Marketing concept, an important orientation of philosophy of many marketing managers. The essence of the Marketing concept is captured in three interrelated orientations consumers needs and wants, company integrated strategy.

2. Consumer behavior and non profit and social marketing

In today's world even the non-profit organizations like government agencies, religious sects, universities and charitable institutions have to market their services for ideas to the "target group of consumers or institution." At other times these groups are required to appeal to the general public for support of certain causes or ideas. Also they make their contribution towards eradication of the problems of the society. Thus a clear understanding of the consumer behavior and decision making process will assist these efforts.

3. Consumer behavior and government decision making

In recent years the relevance of consumer behavior principles to government decision making. Two major areas of activities have been affected:

- Government services: It is increasingly and that government provision of public services can benefit significantly from an understanding of the consumers, or users, of these services.
- Consumer protection: Many Agencies at all levels of government are involved with regulating business practices for the purpose of protecting consumers welfare.

4. Consumer behavior and demarketing

It has become increasingly clear that consumers are entering an era of scarcity in terms of some natural gas and water. These scarcities have led to promotions stressing conservation rather than consumption. In other circumstances, consumers have been encouraged to decrease or stop their use of particular goods believed to have harmful effects. Programs designed to reduce drug abuse, gambling, and similar types of conception examples. These actions have been undertaken by government agencies non profit organizations, and other private groups. The term "demarketing" refers to all such efforts to encourage consumers to reduce their consumption of a particular product or services.

5. Consumer behavior and consumer education

Consumer also stands to benefit directly from orderly investigations of their own behavior. This can occur on an individual basis or as part of more formal educational programs. For example, when consumers learn that a large proportion of the billions spend annually on grocery products is used for impulse purchases and not spend according to pre planned shopping list, consumers may be more willing to plan effort to save money. In general, as marketers that can influence consumers' purchases,

consumers have the opportunity to understand better how they affect their own behavior.

1. ## Production Policies

The study of consumer behavior effects production policies of enterprise. Consumer behavior discovers the habits, tastes and preferences of consumers and such discovery enables and enterprise to plan and develop its products according to these specifications. It is necessary for an enterprise to be in continuous touch with the changes in consumer behavior so that necessary changes in products may be made.

2. ## Price Policies

The buyer behavior is equally important in having price policies. The buyers of some products purchase only because particular articles are cheaper than the competitive articles available in the market.

3. ## Decision regarding channels of distribution

The goods, which are sold and solely on the basis of low price mast and economical distribution channels. In case of those articles, which week T.V. sets, refrigerators etc. Must have different channels of distribution. Thus, decisions regarding channels of distribution are taken on the basis of consumer behavior.

4. Decision regarding sales promotion

Study of consumer behavior is also vital in making decisions regarding sales promotion. It enables the producer to know what motive prompt consumer to make purchase and the same are utilised in promotional campaigns to awaken desire to purchase.

5. Exploiting marketing opportunities

Study of consumer behavior helps the marketers to understand the consumers needs, aspirations, expectations, problems etc. This knowledge will be useful to the marketers in exploiting marketing opportunities and meeting the challenges of the market.

6. Consumer do not always act or react predictably

The consumers of the past used to react to price levels as if price and quality had positive relation. Today, week value for money, lesser price but with superior features. The consumers response indicates that the shift had occurred.

7. Highly diversified consumer preferences

This shift has occurred due to availability of more choice now. Thus study of consumer behavior is important to understand the changes.

8. Rapid introduction of new products

Rapid introduction of new product with technological advancement has made the job of studying consumer behavior more imperative. For example, the information Technologies are changing very fast in personal computer industry.

9. Implementing the "Marketing concept"

These calls for studying the consumer behavior, all customers need have to be given priority. Thus identification of target market before production becomes essential to deliver the desired customer satisfaction and delight.

Need for studying consumer Behavior

1. Consumer Differentiation:

Market exhibits considerable differentiations. Each segment needs and wants different products. For every segment, a separate marketing programme is needed. Knowledge of consumer differentiation is a key to fit marking offers with different groups of buyers. Consumer behaviour study supplies the details about consumer differentiations.

2. Creation and Retention of Consumers:

Marketers who base their offerings on a recognition of consumer needs find a ready market for their products. Company finds it easy to sell its products. In the same way, the company, due to continuous study of consumer behaviour and attempts to meet changing expectations of the buyers, can retain its consumers for a long period.

3. Competition:

Consumer behaviour study assists in facing competition, too. Based on consumers' expectations, more competitive advantages can be offered. It is useful in improving competitive strengths of the company.

4. Developing New Products:

New product is developed in respect of needs and wants of the target market. In order to develop the best-fit product, a marketer must know adequately about the market. Thus, the study of consumer behaviour is the base for developing a new product successfully.

5. Dynamic Nature of Market:

Consumer behaviour focuses on dynamic nature of the market. It helps the manager to be dynamic, alert, and active in satisfying consumers better and sooner than competitors. Consumer behaviour is indispensable to watch movements of the markets.

6. Effective Use of Productive Resources:

The study of consumer behaviour assists the manager to make the organisational efforts consumer-oriented. It ensures an exact use of resources for achieving maximum efficiency. Each unit of resources can contribute maximum to objectives.

7. Modern Philosophy:

It concerns with modern marketing philosophy – identify consumers' needs and satisfy them more effectively than competitors. It makes marketing consumer-oriented. It is the key to succeed.

8. Achievement of Goals:

The key to a company's survival, profitability, and growth in a highly competitive marketing environment is its ability to identify and satisfy unfulfilled consumer needs better and sooner than the competitors. Thus, consumer behaviour helps in achieving marketing goals.

9. Useful for Dealers and Salesmen:

The study of consumer behaviour is not useful for the company alone. Knowledge of consumer behaviour is equally useful for middlemen and salesmen to perform their tasks effectively in meeting consumers needs and wants successfully. Consumer behaviour, thus, improves performance of the entire distribution system.

10. More Relevant Marketing Programme:

Marketing programme, consisting of product, price, promotion, and distribution decisions, can be prepared more objectively. The programme can be more relevant if it is based on the study of consumer behaviour. Meaningful marketing programme is instrumental in realizing marketing goals.

11. Adjusting Marketing Programme over Time:

Consumer behaviour studies the consumer response pattern on a continuous basis. So, a marketer can easily come to know the changes taking place in the market. Based on the current market trend, the marketer can make necessary changes in marketing programme to adjust with the market.

12. Predicting Market Trend:

Consumer behaviour can also aid in projecting the future market trends. Marketer finds enough time to prepare for exploiting the emerging opportunities, and/or facing challenges and threats.

Applications

(A) A second application is public policy. In the 1980's, Accutane, a near miracle cure for acne, was introduced. Unfortunately, Accutane resulted in severe birth defects if taken by pregnant women. Although physicians were instructed to warn their female patients of this, a number still became sufferer while taking the drug. To get consumer's attention, the Federal Drug Administration (FDA) took the step of requiring that very graphic pictures of deformed babies be shown on the medicine containers.

(B) Social marketing involves getting ideas across to consumers rather than selling something. Marty Fishbein, a marketing professor, went on sabbatical to work for the Centers for Disease Control trying to reduce the incidence of transmission of diseases through illegal drug use. The best solution, obviously, would be if we could get illegal drug users to stop.

This, however, was deemed to be infeasible. It was also determined that the practice of sharing needles was too ingrained in the drug culture to be stopped. As a result, using knowledge of consumer attitudes, Dr. Fishbein created a campaign that encouraged the cleaning of needles in bleach before sharing them, a goal that was believed to be more realistic.

(C) As a final benefit, studying consumer behaviour should make us better consumers. Common sense suggests, for example, that if you buy a 64 liquid ounce bottle of laundry detergent, you should pay less per ounce than if you bought two 32 ounce bottles. In practice, however, you often pay a size premium by buying the larger quantity.

In other words, in this case, knowing this fact will sensitize you to the need to check the unit cost labels to determine if you are really getting a bargain. There are several units in the market that can be analyzed. Our main thrust in this course is the consumer. However, we will also need to analyze our own firm's strengths and weaknesses and those of competing firms. Suppose, for example, that we make a product aimed at older consumers, a growing segment.

A competing firm that targets babies, a shrinking market, is likely to consider repositioning toward our market. To assess a competing firm's potential threat, we need to examine its assets (e.g. technology, patients, market knowledge, awareness of its brands) against pressures it faces from the market. Finally, we need to assess conditions (the marketing environment). For example, although we may have developed a product that offers great appeal for consumers, a recession may cut demand dramatically.

(D) The most obvious is for marketing strategy—i.e., for making better marketing campaigns. For example, by understanding that consumers are more receptive to food advertising when they are hungry, we learn to schedule snack advertisements late in the afternoon.

By understanding that new products are usually initially adopted by a few consumers and only spread later, and then only gradually, to the rest of the population, we conclude that:

- It is important to please initial customers, since they will in turn influence many subsequent customer's brand choices.
- Companies that introduce new products must be well financed so that they can stay afloat until their products become a commercial success.

Consumer Attitude Formation & Change: Attitude functions

You've developed attitudes about such issues, and these attitudes influence your beliefs as well as your behavior. Attitudes are an important topic of study within the field of social psychology.

Psychologists define attitudes as a learned tendency to evaluate things in a certain way. This can include evaluations of people, issues, objects, or events. Such evaluations are often positive or negative, but they can also be uncertain at times. For example, you might have mixed feelings about a particular person or issue.

Researchers also suggest that there are several different components that make up attitudes.

The components of attitudes are sometimes referred to as CAB or the ABC's of attitude.

- **Cognitive Component:** Your thoughts and beliefs about the subject.
- **Affective Component:** How the object, person, issue, or event makes you feel.
- **Behavioral Component:** How the attitude influences your behavior.

Attitudes can also be explicit and implicit. Explicit attitudes are those that we are consciously aware of and that clearly influence our behaviors and beliefs. Implicit attitudes are unconscious but still have an effect on our beliefs and behaviors.

Attitude Formation

There are a number of factors that can influence how and why attitudes form.

Experience

Attitudes form directly as a result of experience. They may emerge due to direct personal experience, or they may result from observation.

Social Factors

Social roles and social norms can have a strong influence on attitudes. Social roles relate to how people are expected to behave in a particular role or context. Social norms involve society's rules for what behaviors are considered appropriate.

Learning

Attitudes can be learned in a variety of ways. Consider how advertisers use classical conditioning to influence your attitude toward a particular product. In a television commercial, you see young, beautiful people having fun on a tropical beach while enjoying a sports drink. This attractive and appealing imagery causes you to develop a positive association with this particular beverage.

Operant conditioning can also be used to influence how attitudes develop. Imagine a young man who has just started smoking. Whenever he lights up a cigarette, people complain, chastise him, and ask him to leave their vicinity. This negative feedback from those around him eventually causes him to develop an unfavorable opinion of smoking and he decides to give up the habit.

Finally, people also learn attitudes by observing the people around them. When someone you admire greatly espouses a particular attitude, you are more likely to develop the same beliefs. For example, children spend a great deal of time observing the attitudes of their parents and usually begin to demonstrate similar outlooks.

Attitudes and Behavior

We tend to assume that people behave according to their attitudes. However, social psychologists have found that attitudes and actual behavior are not always perfectly aligned. After all, plenty of people support a particular candidate or political party and yet fail to go out and vote.

Factors that Influence Attitude Strength

Researchers have discovered that people are more likely to behave according to their attitudes under certain conditions:

- When your attitudes are the result of personal experience.
- When you are an expert on the subject.
- When you expect a favorable outcome.
- When the attitudes are repeatedly expressed.
- When you stand to win or lose something due to the issue.

Attitudes Can Change to Match Behavior

In some cases, people may actually alter their attitudes in order to better align them with their behavior. Cognitive dissonance is a phenomenon in which a person experiences psychological distress due to conflicting thoughts or beliefs. In order to reduce this tension, people may change their attitudes to reflect their other beliefs or actual behaviors.

The Function of Attitudes

Attitudes can serve functions for the individual. Daniel Katz (1960) outlines four functional areas:

Knowledge

Attitudes provide meaning (knowledge) for life. The knowledge function refers to our need for a world which is consistent and relatively stable.

This allows us to predict what is likely to happen, and so gives us a sense of control. Attitudes can help us organize and structure our experience.

Knowing a person's attitude helps us predict their behavior. For example, knowing that a person is religious we can predict they will go to Church.

Self / Ego-expressive

The attitudes we express

(1) Help communicate who we are

(2) May make us feel good because we have asserted our identity. Self-expression of attitudes can be non-verbal too: think bumper sticker, cap, or T-shirt slogan.

Therefore, our attitudes are part of our identify, and help us to be aware through the expression of our feelings, beliefs and values.

Adaptive

If a person holds and/or expresses socially acceptable attitudes, other people will reward them with approval and social acceptance.

For example, when people flatter their bosses or instructors (and believe it) or keep silent if they think an attitude is unpopular. Again, expression can be nonverbal [think politician kissing baby].

Attitudes then, are to do with being apart of a social group and the adaptive functions helps us fit in with a social group. People seek out others who share their attitudes, and develop similar attitudes to those they like.

Ego-defensive

The ego-defensive function refers to holding attitudes that protect our self-esteem or that justify actions that make us feel guilty. For example, one way children might defend themselves against the feelings of humiliation they have experienced in P.E. lessons is to adopt a strongly negative attitude to all sports.

People whose pride have suffered following a defeat in sport might similarly adopt a defensive attitude: "I'm not bothered, I'm sick of rugby anyway…" This function has psychiatric overtones. Positive attitudes towards ourselves, for example, have a protective function (i.e. an ego-defensive role) in helping us reserve our self-image.

The basic idea behind the functional approach is that attitudes help a person to mediate between their own inner needs (expression, defense) and the outside world (adaptive and knowledge).

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Consumer Attitude Measurement

Perhaps the most straightforward way of finding out about someone's attitudes would be to ask them. However, attitudes are related to self-image and social acceptance.

In order to preserve a positive self-image, people's responses may be affected by social desirability. They may not well tell about their true attitudes, but answer in a way that they feel socially acceptable.

Given this problem, various methods of measuring attitudes have been developed. However, all of them have limitations. In particular the different measures focus on different components of attitudes – cognitive, affective and behavioral – and as we know, these components do not necessarily coincide.

Attitude measurement can be divided into two basic categories

- Direct Measurement (likert scale and semantic differential)
- Indirect Measurement (projective techniques and the implicit association test)

Semantic Differential

The semantic differential technique of Osgood et al. (1957) asks a person to rate an issue or topic on a standard set of bipolar adjectives (i.e. with opposite meanings), each representing a seven point scale.

To prepare a semantic differential scale, you must first think of a number of words with opposite meanings that are applicable to describing the subject of the test.

For example, participants are given a word, for example 'car', and presented with a variety of adjectives to describe it. Respondents tick to indicate how they feel about what is being measured.

In the picture (above), you can find Osgood's map of people's ratings for the word 'polite'. The image shows ten of the scales used by Osgood. The image maps the average responses of two groups of 20 people to the word 'polite'.

The semantic differential technique reveals information on three basic dimensions of attitudes: evaluation, potency (i.e. strength) and activity.

- Evaluationis concerned with whether a person thinks positively or negatively about the attitude topic (e.g. dirty – clean, and ugly – beautiful).
- Potencyis concerned with how powerful the topic is for the person (e.g. cruel – kind, and strong – weak).
- Activity is concerned with whether the topic is seen as active or passive (e.g. active – passive).

Using this information we can see if a persons feeling (evaluation) towards an object is consistent with their behavior. For example, a place might like the taste of chocolate (evaluative) but not eat it often (activity).

The evaluation dimension has been most used by social psychologists as a measure of a person's attitude, because this dimension reflects the affective aspect of an attitude.

Evaluation of Direct Methods

An attitude scale is designed to provide a valid, or accurate, measure of an individual's social attitude. However, as anyone who has every "faked" an attitude scales knows there are shortcomings in these self report scales of attitudes.

There are various problems that affect the validity of attitude scales. However, the most common problem is that of social desirability.

Socially desirability refers to the tendency for people to give "socially desirable" to the questionnaire items. People are often motivated to give replies that make them appear "well adjusted", unprejudiced, open minded and democratic. Self report scales that measure attitudes towards race, religion, sex etc. are heavily affected by socially desirability bias.

Respondents who harbor a negative attitude towards a particular group may not wish be admit to the experimenter (or to themselves) that they have these feelings. Consequently, responses on attitude scales are not always 100% valid.

Projective Techniques

To avoid the problem of social desirability, various indirect measures of attitudes have been used. Either people are unaware of what is being measured (which has ethical problems) or they are unable consciously to affect what is being measured.

Indirect methods typically involve the use of a projective test. A projective test is involves presenting a person with an ambiguous (i.e. unclear) or incomplete stimulus (e.g. picture or words). The stimulus requires interpretation from the person. Therefore,

the person's attitude is inferred from their interpretation of the ambiguous or incomplete stimulus.

The assumption about these measures of attitudes it that the person will "project" his or her views, opinions or attitudes into the ambiguous situation, thus revealing the attitudes the person holds. However, indirect methods only provide general information and do not offer a precise measurement of attitude strength since it is qualitative rather than quantitative. This method of attitude measurement is not objective or scientific which is a big criticism.

Examples of projective techniques include:

- Rorschach Inkblot Test
- Thematic Apperception Test (or TAT)
- Draw a Person Task

Thematic Apperception Test

Here a person is presented with an ambiguous picture which they have to interpret.

The thematic apperception test (TAT) taps into a person's unconscious mind to reveal the repressed aspects of their personality.

Although the picture, illustration, drawing or cartoon that is used must be interesting enough to encourage discussion, it should be vague enough not to immediately give away what the project is about.

TAT can be used in a variety of ways, from eliciting qualities associated with different products to perceptions about the kind of people that might use certain products or services.

The person must look at the picture(s) and tell a story. For example:

- What has led up to the event shown
- What is happening at the moment
- What the characters are thinking and feeling, and
- What the outcome of the story was

Draw a Person Test

Figure drawings are projective diagnostic techniques in which an individual is instructed to draw a person, an object, or a situation so that cognitive, interpersonal, or psychological functioning can be assessed. The test can be used to evaluate children and adolescents for a variety of purposes (e.g. self-image, family relationships, cognitive ability and personality).

A projective test is one in which a test taker responds to or provides ambiguous, abstract, or unstructured stimuli, often in the form of pictures or drawings.

While other projective tests, such as the Rorschach Technique and Thematic Apperception Test, ask the test taker to interpret existing pictures, figure drawing tests require the test taker to create the pictures themselves. In most cases, figure drawing tests are given to children. This is because it is a simple, manageable task that children can relate to and enjoy.

Some figure drawing tests are primarily measures of cognitive abilities or cognitive development. In these tests, there is a consideration of how well a child draws and the content of a child's drawing. In some tests, the child's self-image is considered through the use of the drawings.

In other figure drawing tests, interpersonal relationships are assessed by having the child draw a family or some other situation in which more than one person is present. Some tests are used for the evaluation of child abuse. Other tests involve personality interpretation through drawings of objects, such as a tree or a house, as well as people.

Finally, some figure drawing tests are used as part of the diagnostic procedure for specific types of psychological or neuropsychological impairment, such as central nervous system dysfunction or mental retardation.

Despite the flexibility in administration and interpretation of figure drawings, these tests require skilled and trained administrators familiar with both the theory behind the tests and the structure of the tests themselves. Interpretations should be made with caution and the limitations of projective tests should be considered.

It is generally a good idea to use projective tests as part of an overall test battery. There is little professional support for the use of figure drawing, so the examples that follow should be interpreted with caution.

The House-Tree-Person (HTP) test, created by Buck in 1948, provides a measure of a self-perception and attitudes by requiring the test taker to draw a house, a tree, and a person.

- The picture of the house is supposed to conjure the child's feelings toward his or her family.
- The picture of the tree is supposed to elicit feelings of strength or weakness. The picture of the person, as with other figure drawing tests, elicits information regarding the child's self-concept.

The HTP, though mostly given to children and adolescents, is appropriate for anyone over the age of three.

Evaluation of Indirect Methods

The major criticism of indirect methods is their lack of objectivity. Such methods are unscientific and do not objectively measure attitudes in the same way as a Likert scale.

There is also the ethical problem of deception as often the person does not know that their attitude is actually being studied when using indirect methods.

The advantages of such indirect techniques of attitude measurement are that they are less likely to produce socially desirable responses, the person is unlikely to guess what is being measured and behavior should be natural and reliable.

Consumer Personality and 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 organized self concept. When a person believes in something that matches his self concept he sticks to his view and does not agree to change the same and even if does, it takes a lot of time.

Self Concept is Learned

It is believed that self concept is learned and no person is born with a self concept. It develops as and when we grow old. Our self concept is built when we meet people socially and interact with them. We are the ones who shape or alter our self concept and its quite natural that we may have a self concept different for ourselves as compared to what people think about us.

For example − If an individual thinks, he is very generous and helpful, it may not necessarily be the case with others. Others may see him as a selfish person.

Self Concept is Dynamic

Our self concept in life is not constant and it may change with instances that take place in our lives. When we face different situations and new challenges in life, our insight towards things may change. We see and behave according to the things and situations.

Thus, it is observed that self concept is a continuous development where we let go things that don't match our self concept and hold on those things that we think are helpful in building our favorable perception.

Self concept is the composite of ideas, feelings, emotions and attitudes that a person has about their identity and capabilities.

Unit 3
Family, Gender & Age Influences

Family

The family is the main reference group that may influence the consumer behaviour. Nowadays, children are well informed about goods and services through media or friends circle, and other sources. Therefore, they influence considerably in the decisions of buying both fast moving consumer goods and durable items.

A person performs certain roles in a particular group such as family, club, organization, and so on. For example, a person may perform the role of a vice president in a firm and another person may perform the role of a marketing manager.

The vice president may enjoy higher status in the organization as compared to the marketing manager. People may purchase the products that conform to their roles and status, especially in the case of branded clothes, luxury watches, luxury cars, and so on.

Gender

Gender is the range of characteristics pertaining to, and differentiating between, masculinity and femininity. Depending on the context, these characteristics may include biological sex (i.e., the state of being male, female, or an intersex variation), sex-based social structures (i.e., gender roles), or gender identity. Traditionally, people who identify as men or women or use masculine or feminine gender pronouns are using a system of

gender binary whereas those who exist outside these groups fall under the umbrella terms non-binary or genderqueer.

Sexologist John Money introduced the terminological distinction between biological sex and gender as a role in 1955. Before his work, it was uncommon to use the word gender to refer to anything but grammatical categories. However, Money's meaning of the word did not become widespread until the 1970s, when feminist theory embraced the concept of a distinction between biological sex and the social construct of gender. Today, the distinction is followed in some contexts, especially the social sciences and documents written by the World Health Organization (WHO).

In other contexts, including some areas of the social sciences, gender includes sex or replaces it. For instance, in non-human animal research, gender is commonly used to refer to the biological sex of the animals. This change in the meaning of gender can be traced to the 1980s. In 1993, the US Food and Drug Administration (FDA) started to use gender instead of sex. Later, in 2011, the FDA reversed its position and began using sex as the biological classification and gender as "a person's self representation as male or female, or how that person is responded to by social institutions based on the individual's gender presentation."

The social sciences have a branch devoted to gender studies. Other sciences, such as sexology and neuroscience, are also interested in the subject. The social sciences sometimes approach gender as a social construct, and gender studies particularly do, while research in the natural sciences investigates whether biological differences in males and females influence the development of gender in humans; both inform debate about how far biological differences influence the formation of gender identity. In some English literature, there is also a trichotomy between biological sex, psychological

gender, and social gender role. This framework first appeared in a feminist paper on transsexualism in 1978.

Age

Age is an important demographic factor that affects consumer behavior. As people grow, their needs change. Similar changes come to their buying decision making patterns. With age, our health needs change and so do many other needs.

Age brings changes to people's lifestyle and with it their needs and personal values are also affected. When people are young, they spend more on their lifestyle needs from fun and movies to fashion.

As they grow older, their expenses on these things shrink. Elderly people mostly remain indoor, however, their health related expenses may rise. In this way, age becomes one of the fundamental demographic factors affecting consumer behavior and buying decisions.

Age does not just affect buying behavior, it is also an important factor affecting market segmentation and marketing strategy. Marketers segment their target market on the basis of age. There are several products that are marketed only to the millenials.

Similarly, there are products meant for the elderly and which meet the needs of people past their middle ages. Lifestyle gadgets and magazines are mostly marketed to the youth or the millennial generation.

Since, the taste of this generation is vastly different and they are more digitally inclined, this affects not just the choice of marketing strategy but also the marketing channels used to market to them.

People's choice of brands and products start changing as they grow older. A young man's choices can be vastly different from the elderly since age brings changes that affect our flavor. An older person may have more serious choices and will be less fun loving than when he was young. Chocolates are meant for kids and young people.

Their consumption among the elderly is much lower. Age determines several things and when we retire our consumption patterns also change according to the change in income. Elderly people are less digitally inclined and therefore their consumption of digital products can also be lower.

Reference Groups

Every consumer prefers to evaluate his opinion based on the comparison of opinions of others. Moreover, consumers are influenced by people that they come in contact with or what they observe.

Consumer reference groups are groups that serve as frames of reference for individuals in their purchase decisions.

The type of group that an individual uses as a point of reference in determining his own judgement, preferences, beliefs and behavior.

Thus, it can be said that a consumer's reference groups are those groups, which may have a direct or indirect influence on one's attitude or behavior. It provides points of comparison by which to evaluate attitudes and behavior. A consumer can either be a member of reference group or aspire to belong to a group.

Types of Reference Groups

Schiffman and Kanuk have specified the following specific reference groups

(1) Friendship groups

(2) Shopping groups

(3) Work groups

(4) Virtual groups or communities; and

(5) Consumer action groups.

1. Friendship groups

Friendship groups are classified as informal groups. They are usually unstructured and lack specific authority levels. Friends are more likely to influence an individual's purchase decisions. Friends influence the consumption pattern of individuals in certain category of products (choice of food habits, drinks etc.)

The Influence of friendship groups is important to the marketer. The opinions and preferences of friends greatly influence a consumer while selecting brands. Marketers of products such as clothing, fine jewellery, watches, snack, foods beverages etc., have recognized the importance of peer group. So, they frequently depict friendship situations in their advertisements.

2. Shopping groups

Shopping group comprises of two or more people who shop together. These groups are sometimes the off shoots of family or friendship groups. Generally, the shopping group has a social motive to share time together and enjoy lunch after shopping. It reduces the chances of making an incorrect purchase. The group may feel more confident with collective decisions. The shopping group prefers to shop around and select goods after comparing the quality, terms, style, customer services, price, etc. The buyer is influenced by group pressure and group's brand preference. He has lot of confidence in the views expressed by his shopping group.

A special type of shopping group is the in-home shopping party. It typically consists of a group that gathers together in the home of a friend. The marketer demonstrates the features of his products simultaneously to a group of potential customers. Thus, the in-home shopping party is devoted to demonstrating and evaluating a specific line of products. Undecided persons overcome a reluctance to buy as their friends make positive purchase decisions.

3. Work groups

People spend considerable time at their jobs. So, it provides ample opportunity for work groups to serve as a major influence on the consumption behavior of members.

The work group may be a formal group or informal group. Formal work groups are deliberately created by companies in order to perform specific work. The formal work group may again be divided into

- Permanent formal work group and
- Temporary formal work group.

(A) Permanent formal work groups

They are part of the top management team, various departments of the organization and staff groups rendering specialized services to the line staff in the organization.

(B) Temporary formal work groups

They are formed for a particular purpose. They review salary policies to suggest measures to maintain a smooth relationship between the union and management. They also contemplate new products and services. Temporary formal work groups come to an end after the accomplishment of the mission assigned to them. The members of the group are permanent employees of the company.

Informal work groups

Members of informal work groups consist of people who have become friends as a result of working for the same company. They may or may not work together as a team.

Informal work groups may influence the consumption behavior of members during coffee or lunch breaks or after-work meetings.

Work groups are important to the marketer. In the past, firms sold their products exclusively by directly calling on housewives in their houses. But nowadays many women go to work. So, marketers direct their sales efforts to offices during lunch break. Sales representatives reach working women at their places of employment.

4. Virtual groups or communities

The term virtual groups refers to web-based consumer groups. Use of computers and Internets has paved the way for the emergence of a new type of group — virtual groups or communities. Adults and children log on to the web. They visit special interest websites often with chat rooms. A person can chat online with others who share his interest. He can send or receive instant messages. Thus, an exchange of knowledgy takes place within a virtual community on a wide range of topics and interests (vegetarianism, cooking, collecting, trading, finance, film making, romance, politics, technology, art, hobbies, spiritualism, age grouping, online game, voice-video chats, See e-mail, travel and vacations, educational opportunities and a host of life style options. On the internet, people are free to express their thoughts. The anonymity of web gives its users the freedom to express their views freely.

5. Consumer action groups

Consumer action groups have emerged in response to consumer movement. Consumer movement provides consumers with assistance in their effort to make the right purchase decisions. Consumer action groups are organized to correct a specific consumer abuse.

Women action groups are opposed to any advertising that may have a negative impact on them.

Social Class & Consumer Behavior

Social class is the segment of a society arrived at by a hierarchical classification of individuals and families with a distinct status. The members of each class have relatively the same status. The status denotes the aggregate effect of the members of a class. Analysis of the characteristics of the social class will help the marketer to understand its consumption pattern.

1. The members of each class have relatively the same status

A social class is defined by the amount of status, which the members of that class have in comparison with members of other social classes. The members in a particular social class have relatively the same status. An individual or family achieves social class by acquisition of skills, education, wealth and recognition. The status of the member reflects the aggregate effect of influence and recognition conferred on them by the society. This in turn is either more or less than the status of other classes.

2. Persons within a given class tend to behave alike

Social classes are homogeneous divisions of the society. Each social class shows similar life-styles, values, status, prestige and interests. So, the behavior pattern of the members become similar. There are also shared attitudes and behavioral pattern among members. So, the behavioral pattern differs among social classes. For example,

a person belonging to middle class prefers economically priced cars. But upper income group will prefer highly priced cars. Thus, social classes exhibit varying buying pattern in purchase of products that meets the life-style, status and prestige of their members.

3. Social class is hierarchical

Social class is determined by a hierarchical classification of individuals and families with a distinct status. Families can climb the social ladder by achievement of members. When each generation within a family tends to do better, there is an upward mobility in the social ladder. When young adults have less disposable income than their successful parents, they may slide down in the class hierarchy. The hierarchical aspect of social class is important to marketers. Consumers may prefer to purchase products favored by their own or higher social class (e.g. imported luxury automobiles). Consumers may avoid certain products because they perceive the products to be lower class products.

4. Social class is measured by a combination of variables

Researchers use a combination of variables to measure social class. A number of socioeconomic factors are combined to form one over all members of social class standing. They better reflect the complexity of social class than a single variable. For example, to know the consumer perceptions of mail and phone order shopping, the socioeconomic status was studied by using a composite of income occupational status and education. It reveals that higher the socioeconomic status, the more positive are the consumers ratings of mail and phone order buying, relative to in-store shopping.

5. Social class is mobile

Social class membership is not hard and fixed. Individuals can move either up or down in social class standing. The availability of free education and opportunities for self-development prompts success in business and in life. Successful persons move up to the higher class. Today, many young men and women start their own business to have higher social status. Higher social classes become reference groups for ambitious men and women of lower social status. Signs of upward mobility are found in India. For instance, plastic surgery was once affordable only for movie stars and other wealthy people. Today, consumers of all economic strata undergo cosmetic surgery.

6. Social class and status differentiation

Researchers measure social class in terms of social status. They define each social class by the amount of status of the members of that class. It is also known as "*Social stratification*". Social stratification has resulted in differentiated roles. For example, a person with higher status owns a car. A middle class status person owns a two-wheeler. A person with lower status owns a bicycle. This is the symbolic identification of role and status based on social classification.

Steps in Consumer Decision Making

Consumer decision making process involves the consumers to identify their needs, gather information, evaluate alternatives and then make their buying decision. The consumer behavior may be determined by economic and psychological factors and are influenced by environmental factors like social and cultural values.

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

5 Stages of Consumer Decision Making Process

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

Need Recognition

Need recognition occurs when a consumer exactly determines their needs. Consumers may feel like they are missing out something and needs to address this issue so as to fill in the gap. When businesses are able to determine when their target market starts developing these needs or wants, they can avail the ideal opportunity to advertise their brands. An example who buys water or cold drink identifies their need as thirst. Here; however, searching for information and evaluating alternatives is missing. These consumer decision making steps are considered to be important when an expensive brand is under buying consideration such as cars, laptops, mobile phones, etc.

Information Search

The information search stage in the buyer decision process tends to change continually as consumers require obtaining more and more information about products which can satisfy their needs. Information can also be obtained through recommendations from people having previous experiences with products. At this level, consumers tend to consider risk management and prepare a list of the features of a particular brand. This is done so because most people do not want to regret their buying decision. Information for products and services can be obtained through several sources like:

- **Commercial sources:** advertisements, promotional campaigns, sales people or packaging of a particular product.
- **Personal sources:** The needs are discussed with family and friends who provided product recommendations.
- **Public sources:** Radio, newspaper and magazines.
- **Experiential sources:** The own experience of a customer of using a particular brand.

Evaluation of Alternatives

This step involves evaluating different alternatives that are available in the market along with the product lifecycle. Once it has been determined by the customer what can satisfy their need, they will start seeking out the best option available. This evaluation can be based upon different factors like quality, price or any other factor which are important for customers. They may compare prices or read reviews and then select a product which satisfies their parameters the most.

Purchase Decision

When all the above stages have been passed, the customer has now finally decided to make a purchasing decision. At this stage, the consumer has evaluated all facts and has arrived at a logical conclusion which is either based upon the influence from marketing campaigns or upon emotional connections or personal experiences or a combination of both.

Post Purchase Behavior

The purchase of the product is followed by post-purchase evaluation which refers to analyzing as to whether the product was useful for the consumer or not. If the product has matched the expectations of the customer, they will serve as a brand ambassador who can influence other potential consumers which will increase the customer base of that particular brand. The same is true for negative experiences; however, it can halt the journey of potential customers towards the product.

Consumer Communication process

Consumer communication and persuasion is an essential part of any Marketing Strategy. In fact, it is the starting point of all improvement as consumer voices provide companies with the data such as where they are lacking and what all they could do to improve the product or service.

Do all companies listen to the consumer voices? Not really. It is only the ones which have an effective consumer communication process in place, that are really able to focus on consumer needs. Are you one of them? Let us take a look at the consumer communication process at Suntory to understand the Consumer Communication Process.
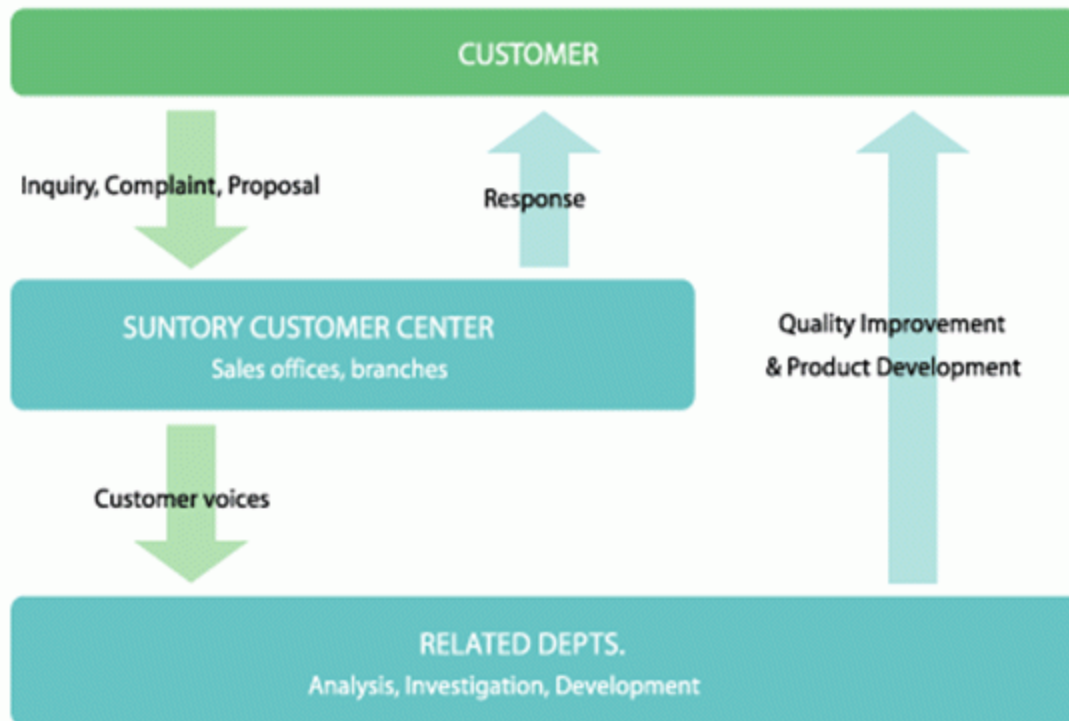
This company has set up a Customer Centre which takes up all inquiries, complaints, and proposals from customers. Though most of the queries are answered, the customer voices are sent across to related departments of the company. These departments analyze the gap between the customer needs and the products and services. After doing so, the quality improvements are suggested and the product development takes place in keeping with the customer demands.

Consumer communication should be used effectively to drive maximum benefits to the company. You must be thinking how. Let us look at few ways which will help you market effectively even in a downturn.

1. When economy is changing, it is all the more important to get the customer feedback. It is not a good idea to fill their inboxes and mobiles with promotional messages. More so, you can use online surveys to

understand how they are thinking and what they want. You can then make changes in your strategies, processes and so on to deliver the product that your consumers are aiming for.

2. It is just not important to feed information to your consumers. Having a dialogue with them from time to time is also important. You can use the email marketing newsletters to invite them for such conversations. Apart from understanding their concerns, showing your consumers that you care is also very important. This will have far-reaching consequence and will benefit your company's image.

3. Try and co-host an event with another local business. This will highlight your product's image in a positive manner. This is a kind of customer relationship building activity where you interact face-to-face with the consumer and show him your expertise.

4. Consumers are becoming more and more environmentally aware these days. Anything against the environment would put you in a bad light. So focus that your product or service is following all the environment friendly standards. You can also show your concern by teaming up with local charity and involving your consumers in the event too.

The above points can also be used for consumer persuasion too. Face-to-face meetings are more effective in persuading people to buy your stuff. People can judge easily whether what you are saying has substance or not. Therefore, try your level best to portray the positive image of your product in a positive fashion. Once you learn the essence of consumer communication, you would never have to look back.

Elements of the Communications Process

- The Message Initiator (the Source)
- The Sender
- The Receiver
- The Medium
- The Message

- The Target Audience (the Receivers)
- Feedback – the Receiver's Response
- Medium can be:
- Impersonal (mass media)
- Interpersonal (with salesperson or a friend)
- Interactive (direct feedback possibility exists)

Marketing communications is essentially a part of the marketing mix. Promotion is what marketing communications is all about.

Marketing communication aims at conveying a firm's message as effectively and accurately as possible.

The process is as follows: Sender, Encoding, Transfer Mechanism, Feedback, Response and Decoding.

- Source: A source is also referred to as a sender. The sender has a message to convey to others. The sender can be anyone from a brand manager (in a major corporation such as Nike or Budweiser) to a salesperson in a smaller organization. At times, celebrities are used to endorse products and act as a sender for the product. It is always important to make sure that the source is credible and trustworthy.
- A direct source can be a salesperson delivering a message about a product.
- An indirect source uses a well known public figure to draw attention to a product.
- Encode: The source encodes or translates ideas into a message. For example, a brand manager decides to promote a new product.
- Message: After defining the target market, the marketer designs an effective message that will achieve the communication objectives.
- Receiver: The receiver is the person or group with whom the sender attempts to share ideas. Marketers want a response, the reactions of

the receiver, after being exposed to the message: for example, a consumer receiving the message about the new product.

- Decode: The receiver decodes or interprets the message. For a message to be decoded by a receiver the way it was intended by the sender, the sender and receiver need to have common experiences. In other words, a receiver may not decode a message the way it was intended to if her background and experience differ greatly from the sender's. A marketer has to be sensitive to the intended audience.
- Noise: Noise interferes with or disrupts effective communication. This can include a poor television or radio signal.
- Feedback: Feedback is monitoring and evaluating how accurately the intended message is being received. This can be done by conducting market research. Essentially, this involves asking consumers if they have seen the message, if they recall the message, and what their attitude was towards the product.

Consumer Satisfaction

Customer satisfaction indicates the fulfillment that customers derive from doing business with a firm. In other words, it's how happy the customers are with their transaction and overall experience with the company.

Customers derive satisfaction from a product, or a service based on whether their need is met effortlessly, in a convenient way that makes them loyal to the firm. Hence, customer satisfaction is an important step to gain customer loyalty.

Organizations calculate the customer satisfaction score (CSAT), which is the average rating of a customer's responses, the net promoter score (NPS), which indicates the probability that a customer refers a brand to another

person, and the customer effort score (CES), which indicates how easy it is for a customer to do business with a firm. The customer satisfaction metrics are then used to estimate consumer behavior.

Customer satisfaction is a part of customer's experience that exposes a supplier's behavior on customer's expectation. It also depends on how efficiently it is managed and how promptly services are provided. This satisfaction could be related to various business aspects like marketing, product manufacturing, engineering, quality of products and services, responses customer's problems and queries, completion of project, post delivery services, complaint management etc.

Customer satisfaction is the overall essence of the impression about the supplier by the customers. This impression which a customer makes regarding supplier is the sum total of all the process he goes through, right from communicating supplier before doing any marketing to post delivery options and services and managing queries or complaints post delivery. During this process the customer comes across working environment of various departments and the type of strategies involved in the organization. This helps the customer to make strong opinion about the supplier which finally results in satisfaction or dissatisfaction.

Customer satisfaction is the measure of how the needs and responses are collaborated and delivered to excel customer expectation. It can only be attained if the customer has an overall good relationship with the supplier. In today's competitive business marketplace, customer satisfaction is an

important performance exponent and basic differentiator of business strategies. Hence, the more is customer satisfaction; more is the business and the bonding with customer.

Customer's perception on supplier helps the customer choose among the supplier on basis of money value and how well the delivered products suit all the requirements. The supplier's services never diminish after the delivery as customer seeks high values post marketing services which could help them use and customize the delivered product more efficiently. If he is satisfied with the post marketing services, then there are good chances for supplier to retain the customers to enhance repeated purchases and make good business profits.

It is necessarily required for an organization to interact and communicate with customers on a regular basis to increase customer satisfaction. In these interactions and communications, it is required to learn and determine all individual customer needs and respond accordingly. Even if the products are identical in competing markets, satisfaction provides high retention rates. For example, shoppers and retailers are engaged with frequent shopping and credit cards to gain customer satisfaction, many high-end retailers also provide membership cards and discount benefits on those cards so that the customer remain loyal to them.

Higher the satisfaction level, higher is the sentimental attachment of customers with the specific brand of product and also with the supplier. This helps in making a strong and healthy customer-supplier bonding. This

bonding forces the customer to be tied up with that particular supplier and chances of defection very less. Hence customer satisfaction is very important panorama that every supplier should focus on to establish a renounced position in the global market and enhance business and profit.

Benefits:

Support During Corporate Crisis

The second major benefit of Customer Satisfaction, which is connected to revenues, is in the area of corporate crisis. Satisfied consumers want the company to survive at the time of crisis, and also, they will support till the end. Customer Satisfaction is most likely the best source of insulation against the corporate crisis.

Greater Customer Loyalty

It's obvious that satisfied customers will come back and likely to spend more money, which is good for business and will become loyal customers in the future.

Consider a business as a bucket. Consumers flow in and fill the bucket up. A successful business will have a full bucket of customers (and profits). If there is a hole in the bucket, consumers who flowed into will start coming out from the hole.

Growth in Sales Revenue

Companies that make Customer Satisfaction a priority will result in increased sales revenue. There is a direct connection between customer satisfaction and increased revenue.

Satisfied consumers will not look at your competitor's offers they would interact with your brand, make a purchase, and recommend the products and services to friends and family.

Increases Brand awarness

The importance of Customer Satisfaction should never be ignored. Plan your marketing strategies and campaigns which can capture the level of customer satisfaction. The probability is high that satisfied consumers are more likely to share your content across numerous social media channels.

Stand Out from the Competition

Kate Zabriskie, a renowned author, once said that "Although your consumers won't love you if you give bad services, your competitors will." and we couldn't agree more.

Bain & Company found that businesses providing excellent customer experience generate 4% to 8% more revenue than their direct competitors.

Unit 4
Industrial Buying Behaviour: Participants

The Purchasing department is influential in straight rebuy and modified rebuy situations. Engineering personnel usually have a major influence in selecting product components and purchasing managers dominate in selecting suppliers.

Thus in new buy situations, the industrial marketer must first direct his product information to the engineering personnel. In rebuy situations and at supplier-selection time, communication must be directed at the purchasing department personnel.

A buying centre is comprised of all those individuals and groups who participate in the buying decision-making process, who share some common goals and the risks arising from these decisions. Before identifying the individuals and groups involved in the buying decision process, a marketer must understand the roles of buying centre members. Understanding the buying centre roles helps industrial marketers to develop an effective promotion strategy.

Within any organisation, the buying centre will vary in the number and type of participants for different classes of products.

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

1. Initiators:

Usually the need for a product/item and in turn a supplier arises from the users. But there can be occasions when the top management, maintenance or the engineering department or any such recognise or feel the need. These people who "initiate" or start the buying process are called initiators.

2. Users:

Under this category come users of various products. If they are technically sound like the R&D, engineering who can also communicate well. They play a vital role in the buying process. They also act as initiators.

3. Buyers:

They are people who have formal authority to select the supplier and arrange the purchase terms. They play a very important role in selecting vendors and negotiating and sometimes help to shape the product specifications.

The major roles or responsibilities of buyers are obtaining proposals or quotes, evaluating them and selecting the supplier, negotiating the terms and conditions, issuing of purchase orders, follow up and keeping track of deliveries. Many of these processes are automated now with the use of computers to save time and money.

4. Influencers:

Technical personnel, experts and consultants and qualified engineers play the role of influencers by drawing specifications of products. They are, simply put, people in the organisation who influence the buying decision. It can also be the top management

when the cost involved is high and benefits long term. Influencers provide information for strategically evaluating alternatives.

5. Deciders:

Among the members, the marketing person must be aware of the deciders in the organisation and try to reach them and maintain contacts with them. The organisational formal structure might be deceptive and the decision might not even be taken in the purchasing department.

Generally, for routine purchases, the purchase executive may be the decider. But for high value and technically complex products, senior executives are the deciders. People who decide on product requirements/specifications and the suppliers are deciders.

6. Approvers:

People who authorise the proposed actions of deciders or buyers are approvers. They could also be personnel from top management or finance department or the users.

7. Gate Keepers:

A gatekeeper is like a filter of information. He is the one the marketer has to pass through before he reaches the decision makers.

Understanding the role of the gatekeeper is critical in the development of industrial marketing strategies and the salesperson's approach. They allow only that information favourable to their opinion to flow to the decision makers.

By being closest to the action, purchasing managers or those persons involved in a buying centre may act as gatekeepers. They are the people whom our industrial marketer would first get in touch with. Hence, it so happens that information is usually routed through them.

They have the power to prevent the sellers or information from reaching members of the buying centre. They could be at any level and even be the receptionists and telephone operators.
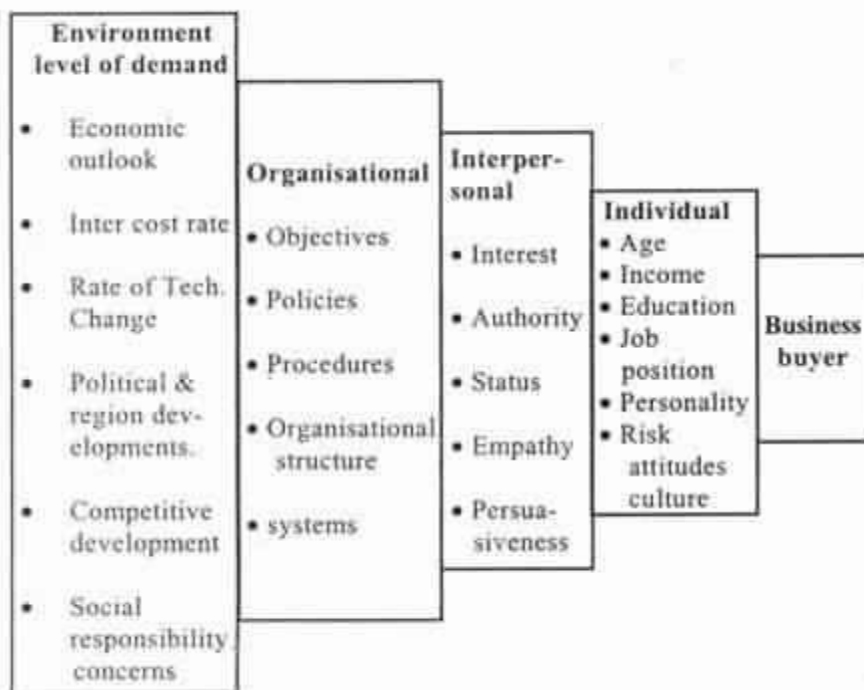
When a buying centre includes many participants, the industrial/ business marketer will not have the time or resources to reach all of them. Small sellers could concentrate on reaching the key buying influences. Large sellers on the other hand go for multi-level in-depth selling to reach as many buying participants as possible.

It is important to note, that functional responsibilities and job titles are often not true indicators of the relative influence of buying center members in a purchase decision task.

Characteristics of Industrial Markets

Industrial marketing truly is all about is to highlight the most distinctive features of it.

It's extremely complex

A great analogy for industrial marketing follows; consumer marketing is a candy shop selling candy to a single customer. Industrial marketing is a candy manufacturer selling thousands of pieces of candy to a candy store. Obviously, the latter is much more appealing, but this obviously means that it is a little more complicated.

Industrial marketing requires large orders, long-term relationships which makes the first pitch and sale often more complex. This revolves around the simple fact that businesses are made up of several individuals, which means you have to impress multiple people, with numerous different bits of information.

Longer sales cycle

A result of industrial marketing being more complicated is a longer sales cycle. When you pitch to a business, the whole process revolves around calculated decisions, reviewing, analyzing.

This shouldn't be seen as a negative, the outcome of industrial marketing, as you probably imagined, is worth any complexity or lengthy process.

The variety of marketing

Industrial marketing can mean that you have a wide range of products. Every single product requires a different marketing strategy, sometimes the difference can be extreme.

To put this into perspective, it is much different to sell, say, a standard motor to a known business, compared to selling capital equipment to various companies.

The strategies that you may use for the motors won't be successful in selling large custom machines. Ultimately, the variety of marketing can be boundless.

Low market information

Consumer products have a lot of database information available for them, including customer demographics. In comparison, information revolving around industrial market niches are hard to come by. It actually requires a considerable amount of industrial experience to gather useful market information.

That being said, it isn't impossible; to gather the information you will need to analyze the niche in-depth. Information like the number of employees, line speeds, shifts, sizes, and so on, will all be acquired and you will be able to discover prospective buyers.

Advertising generally doesn't follow trends

When it comes to industrial marketing, advertising and promotion are a bit different. You see, in the grand scheme of things, it is comparatively simple to develop newspaper adverts, billboards, and videos for impulsive consumers.

"With industrial marketing, because of the lengthy sales cycle, advertisements can't be focused on trends. Instead, they have to address the product's benefits and applications directly." — Jennifer Watts, CMO at The Word Point.

The buyers and their behaviors

As mentioned earlier, industrial marketing is aimed at a team of people, rather than an individual. Thus, the behaviors are varied, follows a specific process and, ultimately, you need to impress multiple people, all of which may have different opinions.

Communication with your potential buyers is crucial; email, phone, and one-to-one conversations help to secure a business relationship. The good news? This relationship will be long-term, rather than a one-time buy relationship. Just like any successful relationship, communication is vital…many manufacturers choose to send samples too.

Bidding is customary

An individual consumer will buy, or they won't. Bidding isn't a daily scenario in for the average consumer. On the other hand, industrial marketing rarely doesn't revolve around quotes and bids.

Quotations and specifications can sometimes be hundreds of pages long, specifying the product and the prices right down to the itty-bitty details. This will ultimately help secure a deal.

The geographical and demographical distribution

The average consumer market research generally doesn't work for industrial markets, purely because the samples are just too small. Industrial market research almost has to be simultaneously niche and broad.

The most important part of industrial market research is to acquire information on market shares and market sizes. These can be found using qualitative techniques, unstructured interviewing techniques, and field research.

Conclusion

Suffice to say, industrial marketing is hard work but has high rewards. Once you secure a client/customer, it's a long-term, secure relationship. There's a tiny bit of a knowledge gap when it comes to industrial marketing, which makes the process more challenging, but completely worth it.

The fact is, manufacturers of industrial products need to find new customers in order to grow. The best way to develop this growth is to use industrial marketing techniques.

Factors influencing industrial markets

The potential Indian population is a target that industrial marketers cannot overlook. Their population expansion provides a range of opportunities and threats.

Opportunities in terms of cheap labour for the industries and threats in terms of poverty, illiteracy which is to be given attention in addition to brain drain and stigma of "developing nation" to India.

The Industrial marketers must cash in on potential opportunities for example; the IT industry has been competitive due to a large number of techno savvy people. They are sent to offshore assignments thus satisfying their hunger for foreign jaunts and avoiding brain drain.

No individual firm should be caught unrepresented by the changing demographic conditions. Trends develop slowly and are easy to monitor and reliable data are available for short and intermediate range planning.

1. Economic Factors:

The economic conditions of the market determine how much an industry can buy and sell. Thus, emerging changes in the economic environment which shall affect industrial marketing both in India and internationally must be closely monitored.

As noted earlier, the industrial demand is a delivered demand and depends on the consumers' purchasing power, income, taxes, fashion etc. When the country was passing through a recession in the late 1990s the consumers had tightened their belts and had limited their purchases.

The consumer durable industry, for example, television, fridge, microwave oven, washing machine etc. was badly hit which in turn had hit the component suppliers of these goods. Hence the demand for raw materials, components parts and associated services also tightened.

2. Natural Factors:

India is a country of extremes. When one part of the country is having heavy rainfall some other parts endures drought. The drought like situation in Northern India has affected many a industry. The earth quakes and floods in the northern states of India like Orissa and Gujarat have had direct impact on the industries. The industrial marketers must have an alternate strategy or a contingency plan during calamities that are forecast-able or those that could be predicted.

3. Technological Factors:

Technological developments and changes affect the profitability and market acceptance of a company. The electric car "Reva" by Maini group of companies is a technological innovation. It is yet to catch up in India due to reasons like there are no stations on either highways or in the city for recharging and it is a very small car. But Mr. Chetan Maini, the man behind the electric car is leaving no stones unturned.

They have already ventured into some North Indian cities and have exported to Europe. This technology is successful and would revolutionise the automobile industry. This industry is also being revolutionised by some car makers who are still working on a prototype which has buttons to change gears and increase acceleration instead of clutch and gear box. No industry today whatever is printing and packaging industry or

an. It firm can ignore technological changes. As a marketer, he must be aware of the changes and make flexible strategies to adapt to these changes.

4. Social /Cultural Factors:

Cultural customs, habits, norms and traditions greatly influence the structure and function of an organisation as well as interpersonal relationships of organisational members. In India it is "Durability" that is important whereas in USA it is "style" that is appealing. Say product whether industrial or targeted to the consumer must be careful when appealing to customers with respect to the cultural values and representations.

5. Political/Legal Factors:

Government influence on the Industrial marketing environment. From the time of Jawaharlal Nehru to the time of Mr. Atal Behari Vajapayee there has been major influence of the Government in the industry to protect the Indian industries' foreign investment or for that matter, foreign participation of any kind has not been allowed in the areas of defence, steel, drugs, fertilisers, machine tools etc.

More encouragement was given to small scale and cottage industry. Even the banks were nationalised, the multinationals which were present in India till about 1980s were engaged in commerce, trade and finance or export of tea. Indian Government felt that in areas where adequate Indian skills and capital are available, there was no need for foreign collaboration.

In fact, in 1977 Coca-Cola was asked to wind up operations in India, and IBM was to dilute equity to stay. Some companies like Alkali Chemicals, Dunlop, Goodyear and

Asbestos Cement were allowed to remain as they were operating in non-priority areas. Today the Government having realised the importance has liberalised in many areas.

Still controls the industries do not contribute to an extent the effective and fair functioning of the economy. The Government acts as a regulatory agency in import and export matters. It controls the tax and interest rates. It provides economic stabilisation through control of inflation. It is environmentally and socially conscious. It passes rules, regulations and laws from time to time to ensure that general public interest is not compromised.

The Government has placed a large number of drugs with dubious justification under the scanner. Doubts persist about safety of a host of drugs including CISAPRIDE, the drug for night heart burn, and PPA, an ingredient in certain paediatric preparations. The review of iron preparations containing zinc, amino acids and vitamins decision could be of grave concern to many leading MNCs as these drugs are high margin products.

The Government can also change the marketing environment by making changes to its procedures for example Mr. Chandra Babu Naidu, Ex-Chief Minister of Andhra Pradesh, has decided to experiment with online procurement in four of its government departments.

Department	E-purchase

Andhra Pradesh Technology Services (APTS)	All IT related procurement for the State Government
Andhra Pradesh State Road Transport Corporations	Spares, Oil, Lubricants, bus body building services and office products
Commissionerate of Tenders	All tenders of value more than Rs 1 crore, projects relating to irrigation, roads and building
Andhra Pradesh Housing Infrastructure	Drugs, All civil and medicare related products and services

The impact of this decision is that the industries supplying to the Government are hoping to supply must gear up for IT invasion and must be able to bid and make tenders through a computer. The marketing strategies will have to be adjusted to accommodate these changes.

Since Government transcends all levels of the industrial environment, it is capable of influencing and being influenced by environmental elements at all levels. Thus industrial marketers must keep careful watch pending regulations to ensure that their respective business plans will meet the government's approval. Industrial marketers must be constantly in touch with the laws, regulations and sanctions of the Government.

consumer and Organization Buying Behavior

Consumer Buying Behavior

Consumer buying behavior is the result of the attitudes, preferences, intentions and decisions made by the consumer s in a market place before buying a product. The study of consumer buying behavior is an interdisciplinary subject area drawing widely from sociology, psychology, anthropology etc.

- ## Standard Buying Process

The buying behaviour can be broken down into a series of tasks.

1. ## Problem recognition:

During this stage, the consumer becomes aware of an unfulfilled need or want. For example, his old laptop may be broken and a need arises for a new laptop.

2. ## Information search:

in this stage, the consumer gathers information relevant to solving his problem. Example, collection of information about various laptop models.

3. Evaluation:

The various alternatives are evaluated against the consumer's wants needs, preferences, financial resources etc.

4. Purchase:

In this stage, the consumer will commit to a particular choice and make the final decision. The choice maybe influenced by price and availability.

5. Post purchase evaluation:

In this stage, the consumer evaluates whether the purchase actually satisfied her need or not.

Types of Buying Behaviour

1. Complex: High degree of consumer involvement with significant brand differences. Eg: – Cars.
2. Dissonance Reducing: High degree of involvement with little brand differences. Eg: – Carpeting
3. Habitual: Low involvement with little brand difference. Eg:- Salt
4. Variety seeking: Low involvement with significant perceived brand difference. Eg:-Chocolates

- Organizational Buying Behavior

Organization buying behavior is defined as the rational decision-making process in which organization buys goods and services when they have need of any goods or service for their organization. The purchased products and services get identified,

evaluated, and chosen among alternative brands and suppliers. Organizational buying is similar to the consumer buyer behavior without any major differences. Organizations buy the products and services for the betterment of organizational objectives such as manufacture and deliver goods and services to members, customers or the community. Three types of buying situation have been distinguished: the straight rebuy, the modified rebuy, and the new task.

The straight rebuy:

It is the buying condition in which the buyers buy the product frequently. Buying of those products will be a routine task for the organization.

The modified rebuy:

A business buying condition in which the buyer wants to change the product specification, its price as well as terms or suppliers.

The new task:

When the organization buys any products or services for the first time then it is called new task. In this cases, the larger the cost, there will be more decision participants and also there will be more efforts for collecting information. The new task situation creates more opportunity as well as challenges.

Participants in the business buying process:

The buying center who actually participates in buying the products and services, their roles will play a significant role while making a decision to purchase any products for the organization.

- Users:

The members who uses the products or services. In various cases, users start off with buying proposal and also help in defining the product specification.

- Influencer

The people who affect the buying decision in an organization are called influencers. They help to define specifications and they also provide information for evaluating alternatives.

- Buyers

In organizational buying center, the person who actually purchases the goods and services are called buyers.

- Decider

The people who have formal or informal power in order to select or approve the final supplier in organizational buying center are called decider.

- Gatekeepers

The person who controls the flow of information to others in organizational buying is called gatekeepers.

Major influence on Organization Buyers

Business buyers are subject to many influences when they make their buying decisions. Some marketers assume that the major influences are economic. However, business buyers actually respond to both economic and personal factors.

1. Environmental Factors:

Business buyers are mostly influenced by the current economy and future economy of the state or the world while making any decision. Economic environment consists level of primary demand, the economic outlook and the cost of money. They are also affected by technological, political and competitive developments in the environment.

2. Organizational factors:

The major organizational factors like objectives, policies, procedures, structure and system must be understood well.
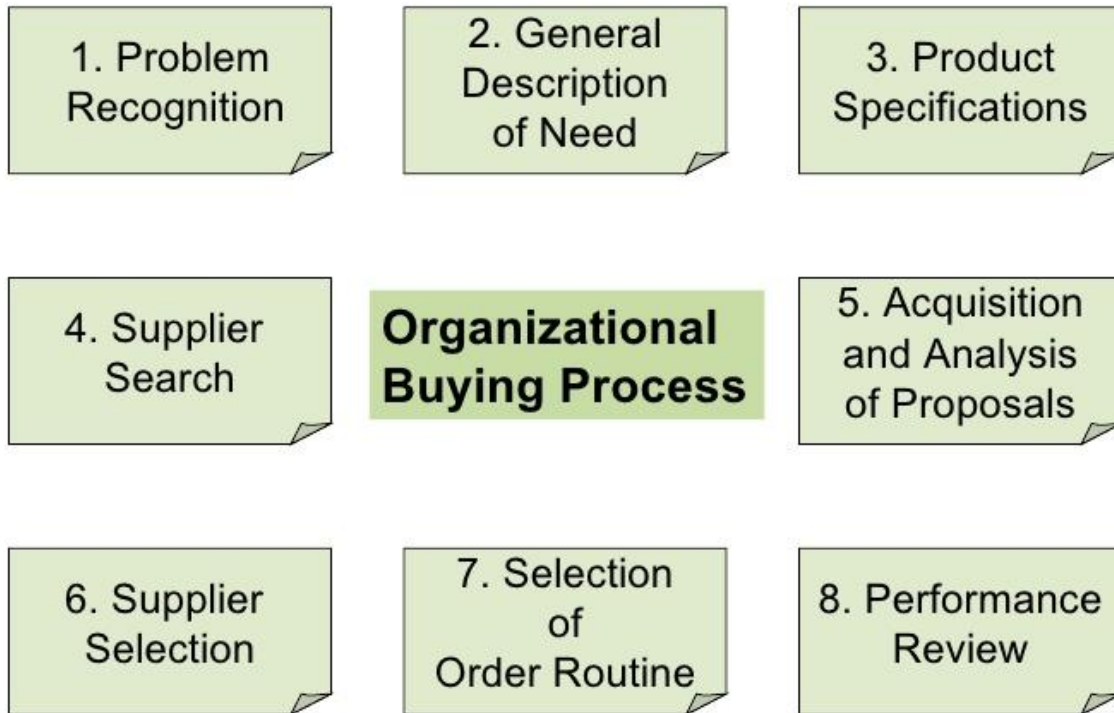
3. Interpersonal factors:

There are many participants who influence each other so interpersonal skills also matter in the business buying process. However, it will be difficult to implement such interpersonal factors and group dynamics.

4. Individual factors

The people who participate in business buying decision process bring in personal motives, perceptions, and preferences. These individual factors are affected by individual characteristics such as age, income, education, professional identification, personality and attitudes towards risk.

The Organization buying process:

There are total eight stages and by going through these stages an organization will be able to make a rational decision. If the desired result is not achieved then the steps will be repeated again until they meet their goals and objectives.

1. Problem Recognition	2. General Description of Need	3. Product Specifications
4. Supplier Search	**Organizational Buying Process**	5. Acquisition and Analysis of Proposals
6. Supplier Selection	7. Selection of Order Routine	8. Performance Review

- Problem Recognition:

The first stage of the business buying process in which people identify the need of the organization which will be met by purchasing any goods or services. Problem recognition can result from internal or external stimuli. Internally , the company may take a decision to launch a new product that requires new production equipment and materials. Or, a machine may break down and need another new part. Externally, the buyer gets some new ideas at a trade show, see an ad, or receive a call from a seller who offers best products at low price.

- **General Need Description:**

After the need is recognized, the buyers prepare a general need description which reports both characteristics and quantity needed and item for the organization. For standard items, this process presents very few problems but for complex problems the buyer needs to work with the other engineers, users, consultants in order to define the item.

- **Product Specification:**

In this stage, the buying organization decides and specifies the technical product features for the needed item. Product value analysis is the approach that helps to reduce the cost in which the components are studied. After studying it carefully they can be redesigned, standardized or made by fewer cost methods of production. The team will decide best product features and specifies them accordingly.

- **Supplier Search:**

In this stage, the buyer conducts supplier search to find the best sellers. The buyer can assemble a list of qualified suppliers by analyzing trade directories, doing computer searches or contacting other companies for recommendation letters.

- **Proposal Solicitation:**

The stage of the business buying in which the buyer ask qualified suppliers to submit proposals is called proposal solicitation. After this supplier will send only a catalogue or

a salesperson. However, when the item is complex or expensive, the buyer ask for the detailed written proposals or formal presentations for each potential supplier.

- Supplier Selection:

In this stage, the buyer reviews proposals and choose a supplier or suppliers. During supplier selection, the buying center often will prepare up a list of the desired supplier trait and their relative importance. Such trait includes product and service quality, reputation, on-time delivery, ethical corporate behavior, honest communication and competitive prices.

- Order- Routine Specification:

This is the stage of buying process in which the buyer choose the final supplier by listing various things like technical specifications, quantity needed, expected time of delivery, return policies, and warranties.

- Performance Review:

The stage of buying process in which the buyer analyze the supplier's performance on the basis of different criteria and decides to continue, modify or drop the arrangement. The seller's job is to observe and examine the same factors used by the buyer to make sure that the seller is giving the expected satisfaction.

Definition, Characteristics and Classification of Services

A service is an act or performance offered by one party to another. Although the process may be tied to a physical product, the performance is essentially intangible and does not normally result in ownership of any of the factors of production.

Services are economic activities that create value and provide benefits for customer's specific times and places, as a result of bringing about a desired change in – or on behalf of – the recipient of the service. Service is those separately identifiable, essentially intangible activities which provide want-satisfaction, and that are not necessarily tied to the sale of a product or another service. To produce a service may or may not require the use of tangible goods. However when such use is required, there is no transfer of title (permanent ownership) to these tangible goods.

One common method of defining a service is to distinguish between the 'core' and 'peripheral' elements of that service. The 'core' service offering is the 'necessary outputs of an organisation which are intended to provide the intangible benefits customers are looking for'. Peripheral services are those which are either 'indispensable for the execution of the core service or available only to improve the overall quality of the service bundle.

Services include all economic activities whose output is not a physical product or construction, is generally consumed at the time it is produced, and provides added value in forms (such as convenience, amusement, timeliness, comfort or health) that are essentially intangible concerns of its first purchaser.

Examples of services are-

Transportation & public utilities, Hotels and other lodging places, Rail-road transportation, Personal services, Local and inter-urban passenger transit, Business

services, Trucking and warehousing, Auto repair, services and garages, Water transportation, Miscellaneous repair services, Air transportation, Motion pictures, Pipelines except natural gas, Amusement and recreation services, Health service, Communication, Legal services, Telephone and telegraph, Educational services, Radio and television broadcasting, Social services and membership organizations, Electricity, Gas, Sanitary services, Miscellaneous professional services, Wholesale trade, Private household services, Retail trade, Finance, insurance, and real estate, Banking, Military, Credit agencies other than banks, Government enterprises Security & commodity brokers, Local government, Real estate, Education, Holding and other investment companies and Other services.

7 Important Characteristics of Services

(i) Perish-Ability

Service is highly perishable and time element has great significance in service marketing. Service if not used in time is lost forever. Service cannot stored.

(ii) Fluctuating Demand

Service demand has high degree of fluctuations. The changes in demand can be seasonal or by weeks, days or even hours. Most of the services have peak demand in peak hours, normal demand and low demand on off-period time.

(iii) Intangibility

Unlike product, service cannot be touched or sensed, tested or felt before they are availed. A service is an abstract phenomenon.

(iv) Inseparability

Personal service cannot be separated from the individual and some personalised services are created and consumed simultaneously.

For example hair cut is not possible without the presence of an individual. A doctor can only treat when his patient is present.

(v) Heterogeneity

The features of service by a provider cannot be uniform or standardised. A Doctor can charge much higher fee to a rich client and take much low from a poor patient.

(vi) Pricing of Services

Pricing decision about services are influenced by perish-ability, fluctuation in demand and inseparability. Quality of a service cannot be carefully standardised. Pricing of services is dependent on demand and competition where variable pricing may be used.

(vii) Service quality is not statistically measurable

It is defined in form of reliability, responsiveness, empathy and assurance all of which are in control of employee's direction interacting with customers. For service, customer's satisfaction and delight are very important. Employees directly interacting

with customers are to be very special and important. People include internal marketing, external marketing and interactive marketing.

Classifications of Services

In order to be able to make a clear and relevant classification of services, we would first need to understand the concept of the word itself. Services usually refer to processes and not physical products. To understand more, read this article on difference between goods and services. Some services may include people whereas other services (like online services) may including objects which are managed by people.

Examples of services which include people can be a hair salon, education, theater, restaurants, and public transportation. On the other hand services that include objects include repairs and maintenance, dry cleaning, banking, legal services, insurance, etc.

1. Classification of service based on Tangible Action
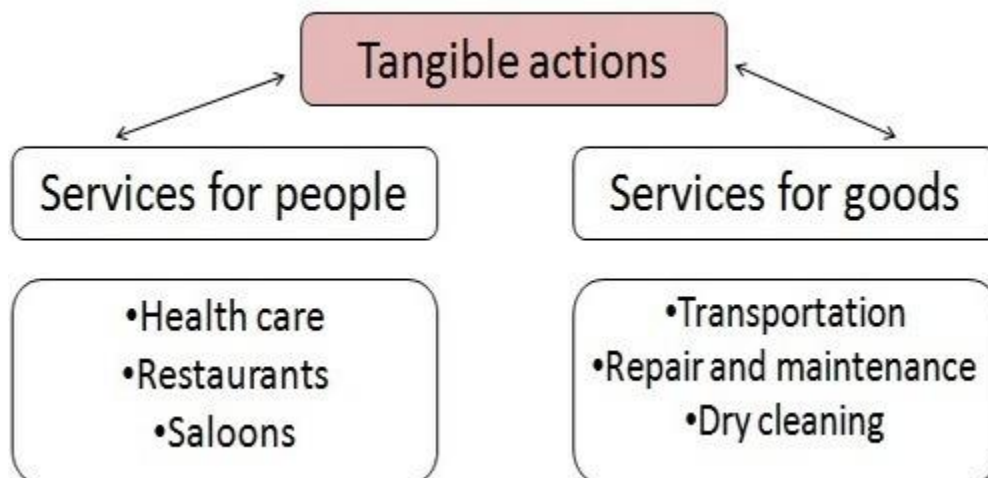
Wherever people or products are involved directly, the service classification can be done based on tangibility.

(i) Services for people: Like Health care, restaurants and saloons, where the service is delivered by people to people.

(ii) Services for goods: Like transportation, repair and maintenance and others. Where services are given by people for objects or goods.

2. Classification of services based on Intangibility
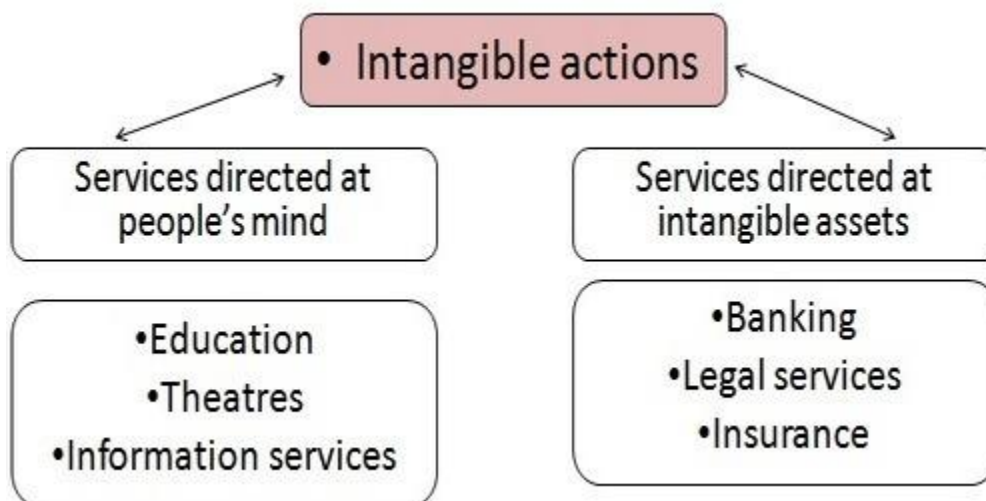
There are objects in this world which cannot be tangibly quantified. For example – the number of algorithms it takes to execute your banking order correctly, or the value of your life which is forecasted by insurance agents. These services are classified on the basis of intangibility.

(i) Services directed at people's mind: Services sold through influencing the creativity of humans are classified on the basis of intangibility.

(ii) Services directed at intangible assets: Banking, legal services, and insurance services are some of the services most difficult to price and quantify.

The most intangible form of service output is represented by information processing. The customer's involvement in this type is service is not required. Generally, customers have a personal desire to meet face to face but there is no actual need in terms of the operational process. Consultancy services can be an example of this type of services where the relationship can be built or sustained on trust or telephone contact. However, it is more indicated to have a face-to-face relationship in order to fully understand the needs of the customer.

A more general classification of services based on the type of function that is provided through them can be as follows:

- Business services.
- Communication services.
- Construction and related engineering services.
- Distribution services.
- Educational services.
- Environmental services.
- Financial services.
- Health-related and social services.
- Tourism and travel-related services.
- Recreational, cultural, and sporting services.
- Transport services.
- Other services not included elsewhere.