

*Chapter 1*  
*Introduction*

---

## CHAPTER 1

### INTRODUCTION

---

#### 1.1 THE RISE OF CONSUMER BEHAVIOUR

It is only in the last 50 years or so that the consumer behaviour has emerged as a discipline. The growing importance of the consumers in the market has made it mandatory for every marketer to go for market research and identify the needs of the consumers before approaching them. There has been a dramatic shift in the consumer attitude in the recent past. In the past, debt was generally not accepted in the Indian society but, now, the things have changed and Indian consumers have accepted the debt/loan as an easy way of creating assets (Nair, 2010).

Every person is a consumer and consumes different products (FMCG products, consumer durables etc.) on regular basis. What consumers' buy, from where they buy, how they buy, how much they buy, how they make the payments and how often do they buy? These are some of the questions which the marketers are looking at in details. The answer to the above questions varies from individual to individual and depends on individual's perception, demographics, attitude, self-concept, cultural background, values, beliefs, personality, social class and many such factors.

Identifying different needs of diverse set of consumer is not the only task for the marketer but the marketer has also to fulfill them. It is a challenging task for the marketers to predict how a particular consumer will respond to their marketing strategies. To be competitive and remain profitable, it is necessary for the marketing firms to understand the changing needs and styles of consumers. However, understanding consumer behaviour and analyzing the factors which influence it, is a challenging task. Moreover, some of the factors are internal to a consumer while some are external and their influence also varies on decision making from individual to individual. In view of the complexity in the behaviour of the consumer, it becomes necessary to study consumer behaviour. The study of consumer behaviour helps the marketer in gaining the insight of the consumer and act upon what is required and how it is required by the consumer. Organizations try to analyze consumer behaviour in

order to (i) adopt the consumer culture, (ii) follow the marketing concept and (iii) solicit support from the society.

According to Nair (2010), consumer behaviour which gained popularity in 1960, draws its concept from the following disciplines: (i) Psychology, (ii) Sociology, (iii) Socio-psychology, (iv) Cultural Anthropology and (v) Economics. While the initial studies on consumer behaviour used the information about the consumer to create a suitable promotional message, the modern era researchers conducted research studies by adopting method of experimenting through observation and survey technique. These researches were quantitative in nature. Another set of researchers (academicians) were interested in knowing the consumption process rather than the buying process and the post-purchase behaviour of the consumers. They were interested in getting the insightful understanding of the consumer behaviour.

## **1.2 CONSUMER BEHAVIOUR DEFINED**

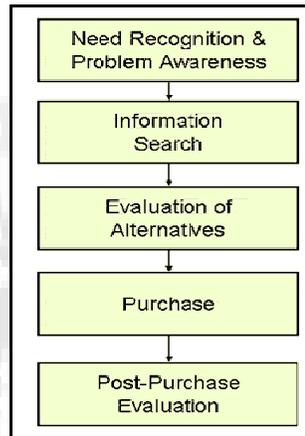
According to Kotler (1999), consumer behaviour is a mental, emotional and physical activity which people use to identify, purchase, consume and dispose the products/services which satisfy their needs. Consumer behaviour does not focus solely on the purchase of goods but it starts much before. Almost every Firm goes for some kind of research related to consumer behaviour. Although every research is different, yet there are some key questions which are common to every research and these are summarized here:

- i. What is the image of Company and its competitors in the market?
- ii. What are the drawbacks of the products which need to be improved?
- iii. How the consumer uses the products?
- iv. What is the consumer attitude towards the promotional activities of the Company?

Companies plan their marketing strategies based on the assumption of consumer behaviour since it is a very complex and multi-dimensional process.

### 1.3 CONSUMER DECISION MAKING MODEL

A consumer will pass through a number of stages while making a decision regarding purchase. It starts from the recognition of necessity for a purchase and ends up with the post-purchase evaluation. This has been depicted in the model given in *Figure 1.1*.



*Source: Kotler (1997), Schiffman and Kanuk (1997) and Solomon (1996)*

**Figure 1.1: The Consumer Decision Making Model**

- **Problem Recognition**

The model starts from problem or need recognition. Such a state exists where there is a sufficient gap between the present state and the desired state of the consumer. For example, the consumer may figure out that his cell phone is outdated or his TV is not working properly. When one figures out the problem, he tries to solve it. In other words, problem gives rise to need recognition.

- **Information Search**

After the need or the problem has been diagnosed, the consumer will start looking for information and become more attentive to some brands. This information can be gained through various sources i.e. friends, family members, print media, and electronic media (internet, TV). By gathering the information, the consumer gets more insights into different brands. Some of them may satisfy the initial purchasing considerations of the consumer. As the consumer will actively seek more and more information, only a few brands/choices will survive in his mind.

- **Evaluation and Selection of Alternatives**

At this step, the consumer seeks to evaluate all the options which he has figured out in the step “information search”. Here the consumer is looking for a product which can actively provide solution to his problem/need. The consumer focuses heavily on the attributes of the product. Each product has some attributes which may provide the solution to consumer problem/need in varying degree. The distinction among the need, benefits and attribute is very important.

- **Decision Implementation**

At this step, consumer needs to select the item (brand) and the store (where to buy from). This decision can be taken in three ways:

- Simultaneously,
- First the product and then the store,
- First the store and then the product.

- **Post-Purchase Behaviour**

Post-purchase behaviour is directly related to the process of decision-making. Important thing is the degree of engagement of a consumer in the process of purchase which is different for various products. For example, if a consumer buys Coca Cola, the level of involvement of the consumer will be quite low. He will not go for the information search and evaluation of alternatives as Coca Cola is a well-established brand. In such a case, consumer will generally go for a purchase, use the product and dispose the product without any post-purchase evaluation. He is also likely to maintain a high level of motivation for repeat purchase. However, if a consumer goes for an unfamiliar or not so established brand, he is likely to go for an intense post-purchase evaluation and will go for a repeat purchase if the product satisfies his level of expectation.

#### **1.4 ECONOMIC MAN THEORY**

According to Economic Man Theory, consumer will make a rational decision to buy products/services only after evaluating all the possible alternatives. He will choose the most economic option available. According to this approach, the consumer will be aware of the options available in the market and will be able to rank and identify the best option available (Schiffman & Kanuk, 2007).

- **Price Effect**- consumer will follow the law of demand. He will demand more quantity of the product whose price is less.
- **Substitution Effect** – consumer will buy less of the original product, if the substitute product is available for lesser price.
- **Income Effect**- quantity purchase is directly proportionate to the income. Purchasing power will decide the quantity of product to be purchased.

However, many researchers feel that Economic Man Theory is of no use as the consumers do not have the time, information and motivation to evaluate the entire alternatives available in the market.

### **1.5 PSYCHODYNAMIC LEARNING**

According to psychodynamic approach, behaviour is affected by biological influences which again get influenced by internal human drives (Arnold, et al., 1991). A motive is formed when an internal stimuli is directed towards drives reducing stimuli. Various products/services act stimuli to satisfy the drive. Habits are formed when consumer makes a relation between stimuli and the response. From marketing point of view, this habit formation is very important because marketers are interested in knowing the response of the consumer to the particular stimuli.

### **1.6 BEHAVIORIST APPROACH**

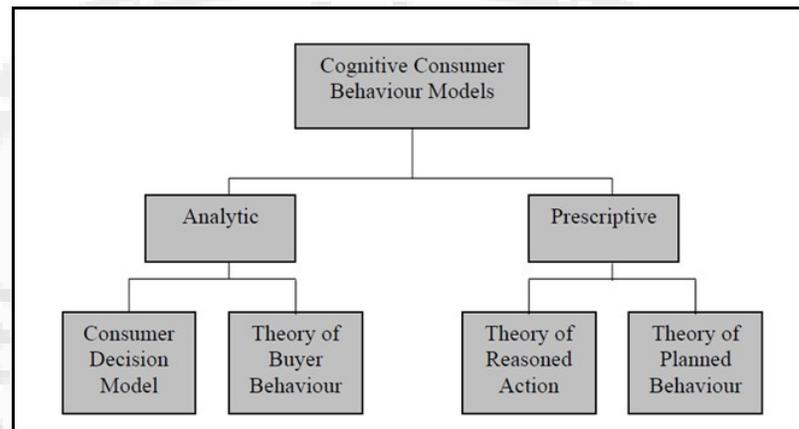
Behaviour is generally influenced by external as well as biological factors. Anything which a person does is part of his behaviour. There have been a number of studies on consumer behaviour which conform to the major tenets of behaviorism but they differ in their approaches.

### **1.7 COGNITIVE APPROACH**

The cognitive approach considers behavior as interpersonal cognition. This is different from the behavioral approach which attributes behaviour as a result of external influences. However, the role of environment and external influences is not totally ruled out in cognitive approach also.

### 1.7.1 Cognitive Models of Consumer Behaviour

There are two types of cognitive models i.e. analytical models and perspective models as outlined in Analytical model provides the framework which identifies factors influencing consumer decision making. Sometimes, these models are also referred as “Grand Models” because of their wide ranging scope (Kassarjian, 1982). It was stated by Erasmus, Boshoff, & Rousseau (2001) that these models work on the traditional consumer purchase decision making process as outlined in Figure 1.2



Source: Fawcett & Downs (1992)

**Figure 1.2: Cognitive Consumer Behaviour Models**

#### 1.7.1.1 Analytic Cognitive Models

Consumer decision model was first framed by Howard in 1963 and it was further developed by Howard and Sheth in 1969 as “Theory of Buyer Behaviour”. This model shows how the consumer makes choice by processing the information in the sequential manner which is influenced by the social, psychological and marketing influences (Foxall, 1990).

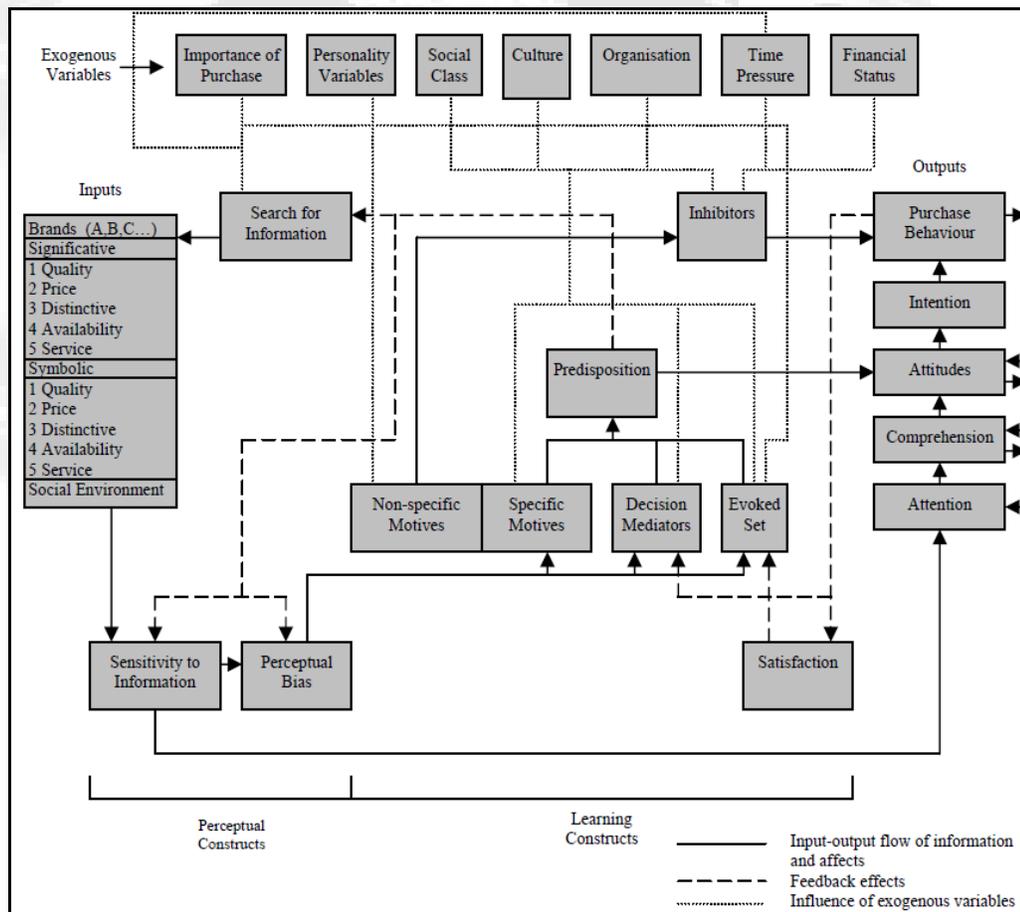
##### 1.7.1.1.1 The Theory of Buyer Behaviour

The model as shown in Figure 1.3 can be easily divided into 4 parts

- Input (Stimuli)
- Hypothetical Constructs
  - perceptual Construct

- Learning Construct
- Output
- Exogenous Variables
- **Input (Stimuli)**

Input is the stimuli which the consumer is exposed to. In this model, input (stimuli) can be divided into three parts. Out of the three, two are from marketer's side in the form of physical characteristics (Quality, Price, Distinctiveness, Service and Availability) known as significant stimuli and in the form of symbolic stimuli as they come from promotional activities by the Company. The third stimulus comes from the social environment encompassing family, reference group and social class as they also influence purchase decision.



Source: Howard & Sheth (1969), Loudon & Bitta (1993)

**Figure 1.3: The Theory of Buyer Behaviour**

- **Hypothetical Constructs**

Hypothetical construct is classified into 2 types of constructs that is perceptual and learning.

- **Perceptual Construct**

Perceptual construct controls and monitors the information received from the input variables. In perceptual construct, the information is evaluated regarding its sensitivity and the degree to which the buyers control the flow of information. This information helps in forming the perceptual biasness towards the stimulus information. Both Perceptual Biasness and Sensitivity to Information remain the source of feedback for “Search for Information”.

- **Learning Construct**

Predisposition of any brand is clearly the result of specific motives of buying, decision mediators and evoked set as shown in the Figure 1.3 . Motives of buying, decision mediators and evoked set are based on the information flow from the Perceptual Biasness formed by the consumer about the products/services in the perceptual construct. From predisposition, the feedback is again provided at the time of search for information regarding the products/services. If the consumer motive is not clear, the information flows from non-specific motives to the inhibitors.

- **Output**

The output receives information from three sources. Attention towards a product/brand is formed by the information received from Sensitivity to Information and further, with the help of brand comprehension, consumer attitude is formed which leads to purchase intention and finally, the purchase. Consumer attitude is also formed by the predisposition formed by the consumer. Purchase decision also gets formed by the inhibitors which are environmental forces.

If the consumer is satisfied after using the product/brand, it will result in positive attitude towards the same, increased brand comprehension and high attention to product/brand stimuli and, if the consumer is dissatisfied by using the products/

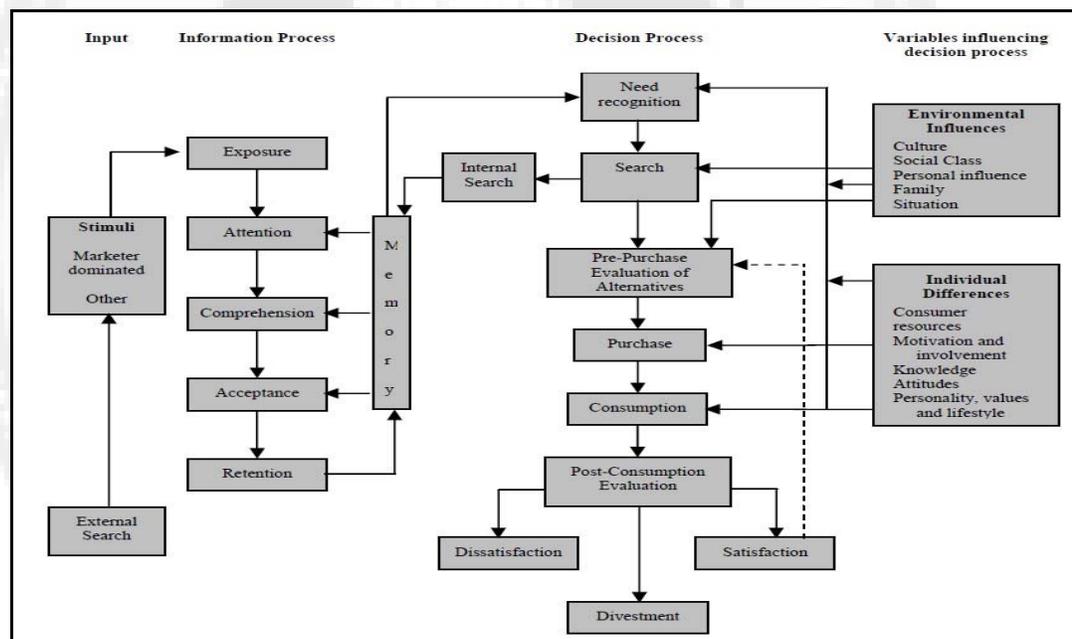
services, he will develop negative attitude, decreased brand comprehension and will pay less attention to product/brand stimuli.

- **Exogenous Variables**

These variables are not directly responsible in purchase decision but play a very significant role in purchase decision making which cannot be ignored. These variables can be classified as personality variables, importance of purchase, social class, time pressure and financial status, culture.

### 1.7.1.1.2 The Consumer Decision Model

This model is based on the traditional 5 step consumer purchase decision model. It is also known as Engell-Blackwell-Miniard Model as depicted in Figure 1.4.



Source: Blackwell, Miniard, & Engel (2001)

**Figure 1.4: Engell-Blackwell-Miniard Model.**

The model starts with the need recognition as soon as a consumer finds a difference between current state and the expected level. After the need recognition step, consumer goes for information search from the internal as well as external sources. The internal source consists of the consumer experiences. The external source is the marketer stimuli and the social environment. The extent to which the

information is searched depends on the complexity of a problem. If the problem is simple, the search may be limited to internal source only. Information is processed through five different stages namely: Exposure, Attention, Comprehension, Acceptance and Retention and after that, it is stored in the memory for further use (Blackwell, Miniard, & Engel, 2001).

Both environmental variables as well as individual variables play significant role in evaluation of alternatives. Evaluation is followed by purchase which is again influenced by environmental variables as well as individual variables.

Consumption is followed by post-consumption behaviour which acts a base and enables to form a positive or negative opinion about the product in future search. Divestment is shown as the last stage in the model which indicates that at some point, product will be disposed of.

### 1.7.1.2 Perspective Cognitive Model

Perspective model behaviour predicts the consumer behaviour with the help of consumer attitude and beliefs. Martin Fishbien proposed a model of consumer attitude formation. Fishbien proposed that consumer attitude towards any object is the summation of beliefs and feelings about the various attributes of the object. The model can also be algebraically represented.

$$A_o = \sum_{i=1}^N B_i a_i$$

Where:

$A_o$  = the person's overall attitude towards object o

$B_i$  = the strength of belief that the product possesses attribute i

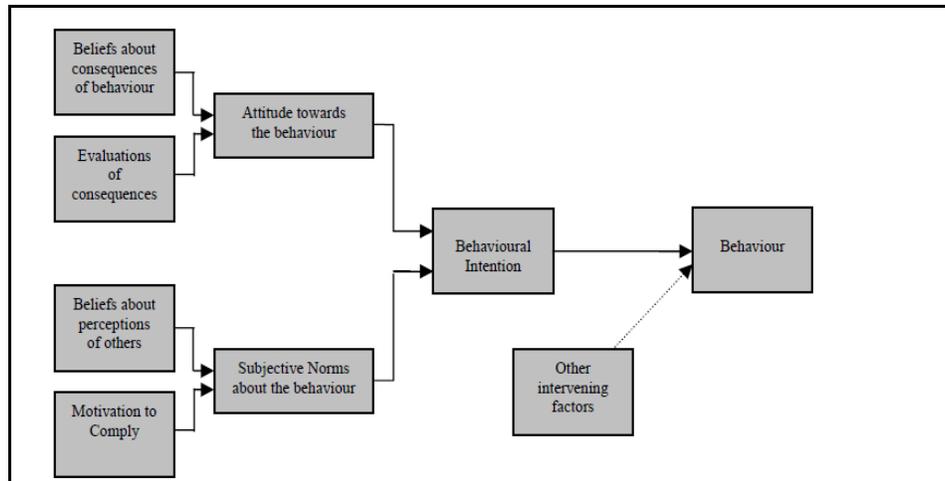
$A_i$  = the evaluation or intensity of feeling (liking or disliking) toward attribute i

$N$  = the number of relevant beliefs considered by that person

Source: Ahtola (1975), Loudon & Bitta (1993), Solomon, Bamossy, Askegaard, & Hogg (2006)

#### 1.7.1.2.1 Theory of Reasoned Action

Fishbien Model was further developed and named as the Theory of Reasoned Action (TRA) and is depicted in the Figure 1.5 given below:



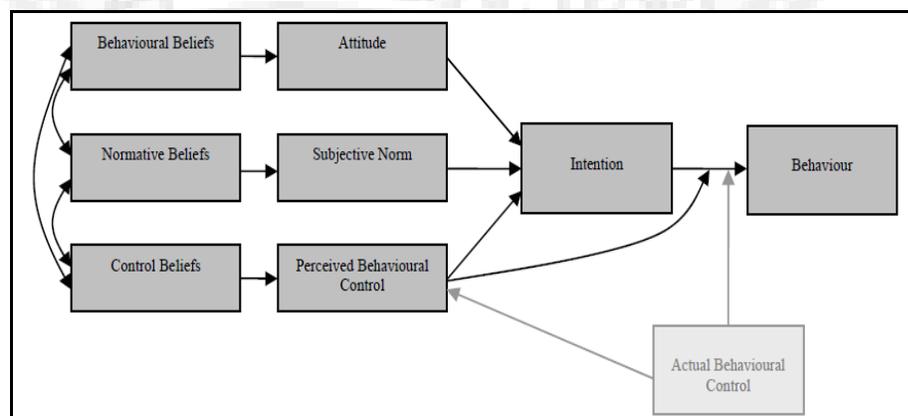
Source: Fishbein & Ajzen (1975), Loudon & Bitta (1993)

**Figure 1.5: Theory of Reasoned Action**

Behaviour, which is almost equal to behaviour intent, is formed by the combination of attitude towards the behaviour and the subjective norms about the behaviour. Subjective norms are formed by the perception of the people in social group (friends, parents, colleagues etc.) and how motivated an individual is to comply with the perception of others. Attitude is formed by the belief about the outcome and the evaluation of the outcome.

#### 1.7.1.2.2 Theory of Planned Behaviour

Theory of planned behaviour is the extension of the Theory of Reasoned Action as depicted in Figure 1.6 given below :



Source: Ajzen (2006)

**Figure 1.6: Theory of Planned Behaviour**

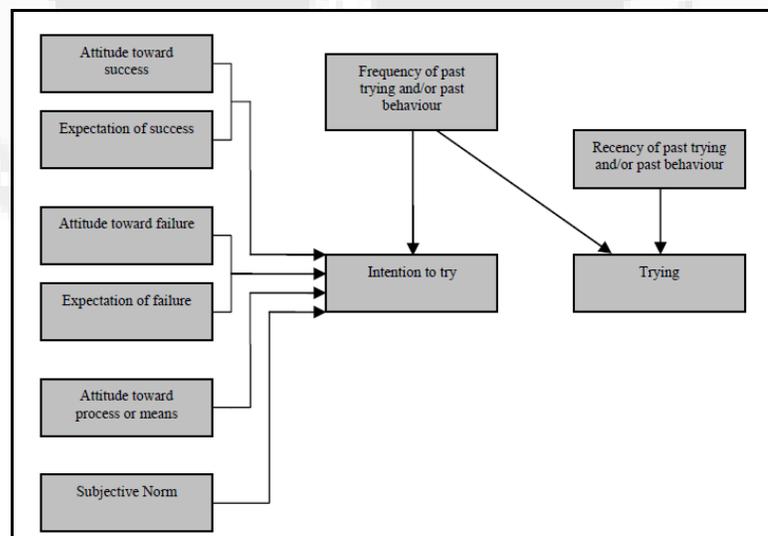
According to this model, the behaviour of the consumer is formed by the intention which is derived from the consumer attitude, subjective norms of the consumer and the perceived behavioral control of the consumer. Perceived behavioural control is the self-belief of the consumer to perform behaviour. Actual behavioral control is the ability of the consumer to perform the particular behaviour with the skills and resources he has.

## 1.8 HUMANISTIC APPROACH

The cognitive models have been examined in generic consumer behaviour texts and are often projected as providing the best available reason for consumer decision making. However, this approach also has its own limitations and some scholars have attempted to understand the behaviour in a different way. This approach is known as humanistic approach as it seeks to analyze the perceptions which are introspective to the individual consumer (Stewart, 1994).

### 1.8.1 Theory of Trying

The theory of trying explores the consumption behaviour rather than the decision making process and it provides an alternative approach of studying consumer behaviour as shown in Figure 1.7



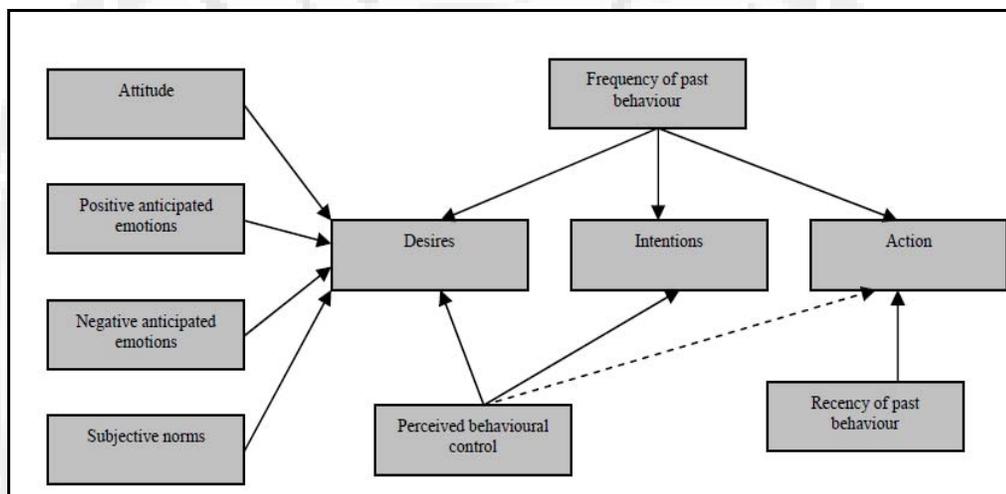
Source: Bagozzi, Gurhan-Canli & Priester (2002)

**Figure 1.7: Theory of Trying**

The main factors which affect the intention of the consumer to try are subjective norms, attitude towards the process or means of trying, attitude and expectation of success and attitude and expectation of failure. Past behaviour also plays significant role in the intention to try.

### 1.8.2 The Model of Goal Directed Behaviour

The Model of Goal Directed Behaviour is inspired by the Theory of Planned Behaviour as depicted in Figure 1.8. The difference lies in the past behaviour variables and emotions, both positive and negative.



Source: Bagozzi, Gurhan-Canli, & Priester (2002)

**Figure 1.8: The Model of Goal Directed Behaviour**

In this model, more emphasis has been given to desire which was missing in earlier models as compared to Intentions, Attitude, and Perceived Behavioral Control and Subjective Norms.

## 1.9 CONCLUSION

This particular analysis reveals a variety of consumer decision models but the field is subject to further research. It is predicted that newer knowledge as well as techniques are still undiscovered which may probably offer a deep area for research. With some significant exceptions, the role of ethics and social influences has been mostly neglected by these models and the concepts discussed here which may be looked into

by the future researches. The assessment of the decision making models analyzed on pre-pages shows the complications of consumer behaviour. Many factors have been positioned around the models and every factor has reason to be included in the study of consumer behaviour.

### **1.10 ROLE OF CULTURE IN CONSUMER BEHAVIOUR**

Culture is a powerful force in regulating human behaviour (Schiffman & Kanuk, 2007). The effect of culture on the personality of a person is so natural that it is not even realized and generally taken for granted. Impact of culture is visible only when we come across people from some other cultural background. It is because of its importance that large amount of research has been undertaken across cultures (Sojka & Tansuhaj, 1995). Individual's cultural values which are the sum of national culture, regional sub-culture and family values are developed over a period of time.

Companies are marketing efforts and factors which are internal to consumers are not the only factors which guide the consumer behaviour. There are others factors also which have a profound impact on consumer decision making and this cannot be studied in isolation. This is closely related to society, values and culture. Culture varies from country to country and it is shaped by its core values. Consumption pattern, living pattern, decision making and several other things are guided by culture as it forms a boundary. Culture is not learnt, it is acquired through socio-cultural environment (family, reference group, region etc.). Culture provides a framework within which an individual takes decisions. Culture creates a framework inside which people as well as house-hold construct their structure of life or perhaps display personal lifestyle. Thinking and acting beyond the cultural boundaries is cross-cultural behaviour (Khan, 2007). Culture is not static, it is dynamic in nature which keeps on evolving due to various reasons (Craig & Douglas, 2006). Marketers need to understand the current culture and change their strategy according to the changing pattern of culture.

### **1.11 CROSS CULTURAL MARKETING**

Cross-cultural marketing can be defined by identifying how different the consumers of two cultures are. Generally, cross-cultural studies hold well when we are comparing people of two different nations. But, India has many cultural and religious

varieties due to its vastness and natural diversities. It is its natural resources which had attracted numerous clans from various parts of the world, getting together a perfect diversity of human genetics and human cultures (Das, 2006). In this way, the mass of the Indian human population symbolizes racial admixture in different levels. In the post-globalized era, cross-cultural studies have become tremendously important for the marketers as they are dealing with global consumers now. These studies can be quite helpful to understand the new market.

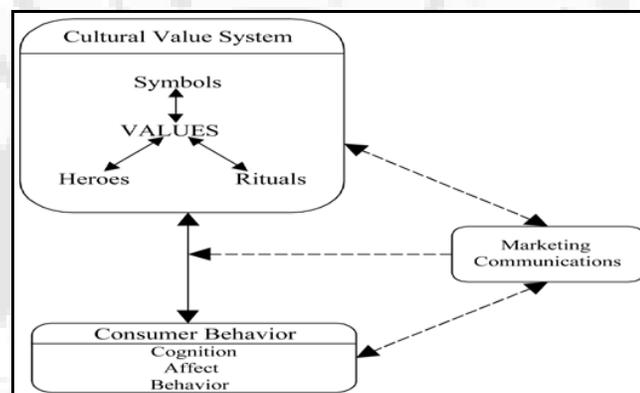
World's major Companies have adapted themselves to the local culture to understand the people and deliver their requirements as per their needs. Coco cola is accepted worldwide. Although their product remains the same worldwide but their promotional strategies have been tailored according to national and regional cultures. No Company can afford to ignore the importance of culture on consumer behaviour. In the past, there have been instances where even the top Companies failed in the new market as they failed to understand the national culture. Wal-Mart, the retail giant from USA, failed miserably in Germany.

Researchers undertaking cross-cultural studies have been traditionally using Hofstede definition of culture. This is an etic approach to study culture. In this kind of studies, researchers try to find out the variables which are common to all the cultures and can be compared with one another.

Another approach to study culture is emic methodology which attempts to understand issues pertaining to the subjects being studied. Culture is described emically as "the 'lens' through which all phenomena are seen. It determines how these phenomena are apprehended and assimilated. Second, culture is the 'blueprint' of human activity. It determines the coordinates of social action and productive activity, specifying the behaviors and objects that issue from both" (McCracken, 1988, p. 73). Emic methodology do not plan to immediately assess two or more varying cultures, and yet contributes to a total knowledge of the culture of study through "thick description" (Geertz, 1973). Emic approach fails to provide "culture-free" measures which is often directly contrasted. Rather, they offer "culture-rich" important information. The option of emic vs etic ways is dependent upon a number of critical factors, such as type of the research problem, the researcher's resources and training, as well as objectives of the research.

Because of the complexity of culture, one needs a broader perspective to study the impact of culture on consumption pattern which can capture the diversity of the culture and can solve the problems of the marketers.

It can be said that individual's behaviour is shaped by the cultural value system. Cultural value system is formed by the mixture of social culture, regional sub- culture and family values. Individuals also have some unique values which form their cultural value system. Thus, cultural value system is formed by the values which one shares with a group and idiosyncratic values which are unique to individual (Luna & Gupta, 2001) as depicted in *Figure 1.9* given on next page:



Source: Luna & Gupta (2001)

**Figure 1.9: Cultural Value System**

The model clearly explains that consumer behaviour is effected by the cultural value system which itself is perceived as the culture. Symbols, Values, Heroes and Rituals form the part of cultural value system. Individual's behaviour can be accepted or rejected by the others. If the consumption behaviour is accepted, it becomes the culture for the particular set of people following that pattern. Marketing communication relates consumer goods to the values of the particular culture through various advertisements. Marketing communication affects consumer behaviour independently of the culture

Globally, there are two opposite phenomena happening: hominization and hetrogenation of culture. According to Cleveland & Laroche (2007), international researchers are focusing on two areas (i) identifying the difference between the global consumers from the viewpoint of social, cultural, consumption and marketing

elements and (ii) identifying group of consumers with similar taste and preference across the globe.

On one hand, the globalization is leading to the harmonization of consumers across the world and capitalism, global transportation, communication, marketing and advertising are driving this change while the discerning effects of globalization are leading to national, ethnic and communal identities (Ger, 1999).

Marketers all over world have conveniently divided the world in the clusters based on some specific similarities between different countries. However, researchers all over the world have argued that marketers should not only consider the similarities across countries but also the differences within countries (Cleveland & Laroche, 2007). According to Cleveland and Laroche (2007), there are very few nations in the world which can be termed as culturally homogenous. About 90 % of them have multiple ethnicities because of the increasing migration. Within the country, there are different norms, sub-cultures, languages, traditions and beliefs. Individuals vary in a country to an extent they adhere and practice cultural values. Many authors also argue that globalization has led to decreased homogeneity within countries and increased communalities across countries. As trading nations tend to reduce the political and economic barriers, hunt for consumers with similar tastes will be more important as compared to national differences (Roth, 1995).

Country and Culture are two different things and do not always go together. People behaviour will defer even if the whole world becomes one single country as the behaviour is formed by the experiences over a period of time. In this era of globalization, marketers should not pick up country or national culture but they should pick up individual units for research.

### **1.9.1 Culture**

More than anything else, culture shapes the attitude, beliefs, lifestyle which helps consumers in choosing the product. Researchers have taken liberty in defining the culture. As a result, definition of culture has become very abstract. However, there are still few similarities between the different definitions of culture. Socialist researchers view the culture as sum of all individual expression of identity and

affiliations. However, anthropologists view culture “... as a construct at once pervasive, compelling, and elusive, from which a person’s sense of reality, identity, and being emerge” (Penaloza & Gilly, 1999, p. 86). Hofstede (1984) defines culture as “...the collective programming of the mind, which distinguishes the members of one group from another” (p.201).

### **1.12 THE CHANGING DYNAMICS OF CONSUMER BEHAVIOUR**

Critical changes are taking place in the behaviour of the consumer and these changes are restructuring the market and the market strategies adopted by the marketers. Consumer tastes and preferences change every now and then, information seeking behaviour, adoption of new products all are changing at a very rapid pace. Although, there are number of reasons for this, yet the principal reason for this change is the mixing of the cultures by migration pattern. Chinese are moving to US in large numbers and so are the Mexicans and Columbians. Europe has also not been isolated from the migration wave as Turks are making their way towards Switzerland and Germany (Douglas & Craig, 1997). The second reason is that consumers are becoming more mobile and travel lot more for pleasure and business. As they travel, they become exposed to different cultures, products and services, systems and lifestyle. Even when the consumers are not travelling, they are exposed to all the above mentioned things via TV and print media. Douglas & Craig (1997) argue that the job of the market researcher has become more complex as consumers are exposed to onslaught of mass media and marketing communication, internet, socio-cultural communication and, as a result, display very complex consumption behaviour. As a result, no marketer can afford to view culture and country as a separate entity. Rather, culture is emerging as a collage with no clear demarcation as where one culture ends, another begins.

The present chapter discussed about various consumer behaviour models and role of culture in shaping consumer behaviour. The next chapter deals with review of literature.