CHAPTER 2

REVIEW OF LITERATURE

2.1 INTRODUCTION

The following sections provides a review of the literature pertaining to consumer behavior, empirical studies on psychological factors contributing to purchasing decisions, empirical studies on major factors affecting consumer purchase behavior, empirical studies on various attributes of a product including features, infrastructure and price, empirical studies on word of mouth or referral, and finally empirical studies on Indian consumers purchase preferences. The chapter intends to bring the trends in behavior of modern consumer especially in making purchasing decisions concerning automobiles and motorcycles.

2.2 EMPIRICAL STUDIES ON CONSUMER BEHAVIOR

Economic theory has contributed to brand choice research. This contribution is reflected in rational choice theory that postulates consumers seek to maximize utility of their decision. Utility is
maximized through consumers assigning a value to each product/service based on an assessment of each product/serviceability to satisfy needs and desires (Marshall, 1890; Alchian, 1953; Strotz, 1953).

Organizations and economists who adopt rational choice theory believe cost/price of an offer is paramount when consumers engage in utility maximization, with lower prices leading to consumers purchasing more and higher prices resulting in consumers purchasing less. Followers of rational choice theory did not account for any irrationality. Rational choice theory argues buyers do not choose randomly and that rationality is the only reasonable explanation for their reactions to changes in relative prices (Jacoby, 2001).

This study argues that rational choice theory, in isolation, is limited in its ability to advance brand choice research. This position is based on behavioral science research that argues rational choice theory completely ignores the nuts and bolts of human psychology and assumes emotional considerations are neither relevant nor important (Jacoby, 2001).

Extreme opposition to rational choice theory argues “a synthesis of research on consumer pre-purchase behavior suggests that a substantial proportion of choices do not involve decision-making, not even on
the first purchase” (Olshavsky et al., 1979 p.93). To accept rational choice theory in its entirety would be to reject an extensive range of psychological factors including past purchase experiences, current expectations, motives, mood, personality, attitudes, values, beliefs, memory etc (Jacoby, 2001). This study argues that psychological factors also influence brand choice.

Online retailing became big business in late 1998, as millions of people placed orders for holiday gifts online and retailers scrambled to upgrade their distribution networks to cope with the growth (Cyberatlas.com, 1999). Demographics (e.g., gender, age, income, race, etc.) did not predict differences in online buying, although males spent slightly more than female online shoppers. However, both the Wharton Virtual Test Market and other studies (Kehoe, Pitkow, and Rogers 1998; Kraut et al. 1997) have found that demographics were an important indicator of who is on the Internet in the first place.

It is dominated by knowledge and affects transfer processes in the following sequence. Before the appearance of the brand extension in a given product category, consumers already possess established attitudes both towards the parent brand and the target extension product category. These attitudes are composed of cognitive and affective dimensions
Advertising can be used in several ways to directly improve consumers' fit perceptions. Through increased exposure, it can facilitate information retrieval processes and thus improve fit perceptions (Lane, 2000; Klink & Smith, 2001).

2.2.1 PSYCHOLOGICAL FACTORS

Psychological factors relating to brand choice behavior contrast rational choice theory as it allows for irrational and/or random behavior. In relation to brand choice, psychology has contributed through research in the following areas:

<table>
<thead>
<tr>
<th>Utility</th>
<th>Optimal arousal and stimulation</th>
<th>Needs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Symbolic value</td>
<td>Effects of situational contingencies</td>
<td>Physical surroundings</td>
</tr>
<tr>
<td>Motivation</td>
<td>Nonverbal processing and brain lateralization</td>
<td>Subliminal perception</td>
</tr>
<tr>
<td>Personality</td>
<td>Classifications of situational characteristics</td>
<td>Attributes</td>
</tr>
<tr>
<td>Reference groups</td>
<td>Conspicuous and compensatory consumption</td>
<td>Social surroundings</td>
</tr>
<tr>
<td>Task definition</td>
<td>Exploratory, variety-seeking, and novelty seeking behaviour</td>
<td></td>
</tr>
</tbody>
</table>

**TABLE 2.1 PSYCHOLOGICAL CONTRIBUTIONS TO BRAND CHOICE** (Sheth et al., 1991)

The topics listed in table 2.1 summarize the contribution of psychology to brand choice research and illustrates the potential for more than just utility maximization to explain and/or predict brand choice behavior.
The SNG (1991) model used in this study is eclectic, with a strong reliance on economics, psychology and marketing research to substantiate the robustness of the constructs used in the model.

![Diagram of Theory of Consumption Values Model](image)

**FIGURE 2.1 THEORY OF CONSUMPTION VALUES MODEL (SNG, 1991)**

In their paper, they argue that the different types of cognitive processing, changes of preferences, the focus of the need for identity and social networks are determinants leading to product choice and explaining variations in market dynamics (Janssen Marco, Jager Wander, 2001). The socialization effect assumes that preferences change as a function of the proportion of people in actor’s social networks that actually consumes the product (Janssen Marco et al 2001).
Fig 2.2 Conceptual Model of Consumer Behavior (Janssen et al 2001)

When consumats have a high level of satisfaction, but also a high level of uncertainty, they will imitate the behavior of other people, and, because it does not involve extensive elaboration on the consequences of performing that behavior oneself, it requires less cognitive effort that social comparison (Janssen 2001).
2.3 EMPIRICAL STUDIES ON MAJOR VARIABLES AFFECTING CONSUMER PURCHASING BEHAVIOR

Major variables such as the four P’s of marketing have been shown to influence brand choice behavior (Chintagunta, 1999). The influence of marketing variables on choice behavior is now further explored in this section and examines the role of advertising, promotions and product attributes.

2.3.1 STUDIES ON ADVERTISING

It has been noted “advertising plays an important and often controversial role in contributing to brand equity” (Keller, 1998, p.221). Advertising’s influence on brand choice is now discussed. Deighton et al., (1994) examined switching and repeat purchase effects of advertising in well established and frequently purchased product categories (ketchup, liquid detergent, powder detergent). They found that advertising works through attracting switchers but did little in modifying the repeat purchase probabilities of those who have just purchased the brand (Deighton et al., 1994).

This result is similar to that of Blattberg & Neslin (1989) who found sales promotions contributed to brand switching behavior. Both studies recommend that advertising efforts would be best focused on non-users.
of the brand, contradicting Ehrenberg (1974, 1998). Baker (1999) restricted his assessment of advertising’s influence on brand choice to affective conditioning and mere exposure based advertising strategies. It was found that mere exposure advertising strategies were equally effective as affective conditioning strategies despite mere exposure strategies being easier to implement (Baker, 1999).

The study concluded that affective conditioning and mere exposure were not effective strategies to influence brand choice against well-established competitors. It was concluded that affective conditioning and mere exposure advertising strategies were effective against competitors who did not have superior performance characteristics or the motivation to deliberate at the time of purchase was low (Baker, 1999). This finding was further expanded by Baker & Lutz (2000) who concluded that advertising is most likely to influence brand choice when it is both relevant and accessible.

Peripheral advertising cues were found to influence brand choice (Miniard, Sirdeshmukh & Innis, 1992). Miniard et al., (1992) found that peripheral persuasion altered both consumers’ choices as well as their attitudes. It has also been found that advertising’s influence on brand choice can be moderated by consumer’s attitude toward the
advertisement. Bichal, Stephens & Curlo (1992) examined how attitude toward an advertisement affects brand choice. Their research expanded upon the research into attitudes towards brand. They concluded that attitude towards an advertisement has an independent effect on brand choice. Mitra (1995) argues that consideration sets can be affected by advertising as advertising was found to have a stabilizing effect on consideration set composition. Advertisings effect on consideration set size was researched by (Mitra, 1995) who found that reminder-type advertising increased consideration set size.

Leading the opposition to advertising’s influence on brand choice behavior is Ehrenberg (1974, 1988). Ehrenberg’s research has predominately explored brand choice and brand loyalty among established and frequently purchased products. Ehrenberg (1974) postulates that advertisings main role should be to reinforce feelings of satisfaction for brands already purchased as opposed to focusing on acquiring new users. Ehrenberg (1974) reinforces his stance that advertising is of limited value to brand choice behavior through four arguments. Firstly, he claims that there are many product classes that have little if any mass media advertising but enjoys strong growth such as sailboards and marijuana.
Secondly, small and medium brands survive even though their consumers are exposed to vast amounts of advertising for the brand leaders. Ehrenberg (1974) third argument is that there is no suggestion that failure occurs less often for highly advertised new brands. Lastly, the main difference between a leading and a small brand is that the leader has more buyers. The majority of research supports advertising’s influence on brand choice behavior. However, casual reflection suggests there may be an "advertising-prone" segment just as there is a "coupon-prone" segment. Indeed, behavioral theory and laboratory studies indicate that response to advertising exposure is nonlinear and stronger among subjects familiar with the brand or message (Tellis J.Gerard 1988).

2.3.2 Studies on Promotions

Palatal & Krishnamurthi (1996) believe practitioners are forced to focus on short-term results by their employers and therefore use sales promotions to this end with advertising taking too long to generate sales. Sales promotions being short-term incentives designed to encourage consumers to purchase a product or service. Blattberg & Neslin (1990) estimated that in frequently purchased product categories
at least 50 percent of unit sales were made during promotions, this figure is supported by Abraham & Lodish (1990), Jones (1991).

Bowa & Shoemaker found sales promotions to have positive effects for new customers only, with the likelihood of existing customers purchasing their existing brand not increasing. Allenby & Ginter (1995) found merchandising promotions to increase brand choice probability. The argument against the use of sales promotions is lead by Dodson, Tybout & Sterntthal (1978). They portend that sales promotions ultimately lead to reduced brand loyalty. Through exploring brand switching behavior Guadagni & Little (1983) found customers who switched to a brand because they wanted to as opposed to being coerced through a promotion were more loyal.

These findings do not appear to have dated as Papatla et al., (1996) findings are consistent in that they found sales promotions to erode brand loyalty and increase price sensitivity. Papatla et al., (1996) is supported by Mela, Gupta & Lehmann (1997) who in their examination of promotions effect on brand choice in the long-term found that price promotions increases price sensitivity amongst both loyal and non-loyal consumers. In examining the after-effects of price-promotions, it was
found that extra sales of a brand came mostly from the brand’s existing customer base (Ehrenberg, 1994).

Promotions research has focused largely on brand loyalty as opposed to brand choice, yet the wide use of promotions may indicate they are effective in attracting new customers. This theory suggests that the subject's prior disposition is an important moderator of ad response (Cacioppo and Petty 1985)

2.4 EMPIRICAL STUDIES ON PRODUCT ATTRIBUTES

Product attributes have been shown to influence brand choice (Gatignon & Robertson, 1991; Rogers, 1983). Building on these findings Nowlis & Simon (1996) investigated the factors that moderate the impact of new product features on brand choice. It is argued by Nowlis et al., (1996) that this research is important as it can assist practitioners in deciding to add a new feature to an existing product or focus resources on alternative actions to generate sales.

Specifically Nowlis et al., (1996) sought to determine if the product characteristics to which the feature is added to moderated the impact of the new feature on brand choice as was found by Herr (1989). Nowlis et al., (1996) based their research on the concept of multi-attribute
diminishing sensitivity where a new feature contributes more value to a relatively inferior product than to a superior one (Nowlis et al., 1996). The concept of multi-attribute diminishing sensitivity is supported by Lynch, Chakrvarti & Mitra (1991); and Martin, Seta & Crelia (1990). Nowlis et al., (1996) found that a new feature adds greater value and increases the probability of brand choice where the brand:

1) has relatively inferior existing features; 2) is associated with lower (perceived quality); 3) has a higher price; 4) is both high-priced and high quality.

Identifying the strength of consumer attitudes on this issue, and specifically consumers’ willingness to pay to avoid these products, one can start to identify the appropriate level of policy response. Many of the studies in genetically modified food products only identify qualitative attitudes, such as a rating of ‘concern’ about the technology, or whether consumers would be willing to purchase it. (Michael Burton et al, 2001). The central idea behind choice modeling is that individuals can choose between alternative options that contain a number of attributes with different levels. Respondents are not asked to report how much they prefer alternatives, nor even how much they value individual
changes in an attribute (Morrison et al., 1996). Table 2.2 shows the attributes and their levels.

**Table 2.2 Attributes and their levels**

<table>
<thead>
<tr>
<th>Attribute</th>
<th>Level of weekly food bill (% change from current)</th>
<th>Form of production technology used</th>
<th>Level of on-farm chemical use</th>
<th>Structure of food system (food miles)</th>
<th>Food health risk</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>50, 40, 30, 20, 10, 0, +10, +20, +30, +40</td>
<td>Traditional, GM(plants), GM(plants and animals)</td>
<td>30%, no change, +10%</td>
<td>30%, no change, +10%</td>
<td>1/15,000, 1/10,000, 1/5,000</td>
</tr>
</tbody>
</table>

Those consumers of organic products have a high willingness to pay for a GM free diet may not be very surprising but it should be stressed that the data do not suggest that there is an unequivocal aversion to GM technology (Michael Burton et al, 2001). Consumer knowledge has two major components: familiarity and expertise (Jacoby et al, 1986). Familiarity is defined as the number of product-related experiences that have been accumulated by the consumer. Expertise is defined as the ability to perform product-related tasks successfully. These "dimensions" of consumer expertise are identified in the following basic propositions:

**PI:** Simple repetition improves task performance by reducing the cognitive effort required to perform the task and, in some cases, repetition leads to performance that is automatic.
P2: The cognitive structures used to differentiate products become more refined, more complete, and more veridical as familiarity increases.

P3: The ability to analyze information, isolating that which is most important and task-relevant, improves as familiarity increases.

P4: The ability to elaborate on given information, generating accurate knowledge that goes beyond what is given, improves as familiarity increases.

P5: The ability to remember product information improves as familiarity increases (Michael Burton et al, 2001).

2.4.1 STUDIES ON PRODUCT PRICE

According to NMCC (2006), competitiveness of manufacturing sector is a very broad multi-dimensional concept that embraces numerous aspects such as price, quality, productivity, efficiency and macro-economic environment. Alba et al. (1997) point out that a key difference between online and offline shopping is the ability of online consumers to obtain more information about both price and non-price attributes. More information on prices could increase consumer price sensitivity for undifferentiated products. At the same time, having more information
on non-price attributes could reduce price sensitivity for differentiated products.

If there are no such search attributes, price importance may actually increase because price search is somewhat less effortful online than offline (Alexandru M. Degeratu, Arvind Rangaswamy, Jianan Wu 1999). In the soft-margarine category there are no searchable sensory attributes that affect consumers’ perception of quality (Steenkamp, 1986). The major search attributes that influence choice are brand name, price/promotion, and nutritional information (fat content). In traditional supermarkets, consumers may use the brand name to infer relative fat content, whereas online, the exact fat content of each SKU is displayed on the screen. To identify the differences between online and offline price sensitivities, one has to compare the Peapod (All purchases) model with the IRI (H-E) model.

This is because, even in traditional supermarkets, a significant proportion of consumers make planned purchases (Bauer 1995), i.e., they pick products from their “shopping lists” without browsing the entire category, in a manner akin to “personal list” shopping of Peapod consumers. Nowlis (1995), examining how consumers implicitly trade off price with quality when making product choices, found that
consumers in conditions of time constraints were more likely to choose:
(1) higher-quality, high-price brands, (2) high-quality brands over low-
quality brands, and (3) top-of-the-line products with many enhanced
product features over basic models with fewer features. Similarly, there
is an implication of greater use of heuristics under conditions of time
pressure. Indeed, not only may consumers use a “brand-name heuristic,”
but they may use a price-quality heuristic as well (Nowlis 1995).
When choosing, subjects had to integrate information directly
influencing their perceived value of each option, including price.
However, price may play a uniquely negative and positive role in this
assessment of value because price serves not only as an indicator of
sacrifice but also as an indicator of quality (Monroe 2003). Moreover,
time pressure creates a cognitive discrepancy between the time available
and the time required to perform a given task (Hornik 1984). Such a
cognitive discrepancy, referred to as subjective time pressure, may
cause two additional effects (Maule and Svenson 1993). The following
table depicts the time pressure effects on price of a product and product
quality. As the pressure on time increases, the price directly
proportional and quality is inversely proportional. As the time pressure
falls, the product quality is directly proportional (Maule and Svenson 1993).

**Table 2.3: Interaction effects of Motivation and Time Pressure on the role of Price in Product evaluations (Maule and Svenson 1993)**

<table>
<thead>
<tr>
<th>Motivation To Process Information</th>
<th>Time</th>
<th>Dominant Type of Information</th>
<th>Dominant Role of price To evaluate</th>
<th>Evaluation Of Monetary Sacrifice</th>
<th>Evaluation Of Product Quality</th>
</tr>
</thead>
<tbody>
<tr>
<td>Low</td>
<td>Low</td>
<td>Heuristic</td>
<td>Product quality</td>
<td>High</td>
<td>declining</td>
</tr>
<tr>
<td>Moderate</td>
<td>Low</td>
<td>Heuristic</td>
<td>Product quality</td>
<td>Low</td>
<td>increasing</td>
</tr>
<tr>
<td>High</td>
<td>Low</td>
<td>Heuristic</td>
<td>Product quality</td>
<td>Monetary sacrifice</td>
<td>High</td>
</tr>
<tr>
<td>Moderate</td>
<td>High</td>
<td>Systematic</td>
<td>Product quality</td>
<td>Monetary sacrifice</td>
<td>Low</td>
</tr>
<tr>
<td>High</td>
<td>Low</td>
<td>Systematic</td>
<td>Product quality</td>
<td>Monetary sacrifice or product quality</td>
<td>High</td>
</tr>
<tr>
<td>Moderate</td>
<td>High</td>
<td>Heuristic</td>
<td>Product quality</td>
<td>Monetary sacrifice</td>
<td>Low</td>
</tr>
<tr>
<td>High</td>
<td>Low</td>
<td>Systematic and heuristic</td>
<td>Product quality</td>
<td>Monetary sacrifice</td>
<td>Low</td>
</tr>
<tr>
<td>Moderate</td>
<td>High</td>
<td>Heuristic</td>
<td>Product quality</td>
<td>Monetary sacrifice</td>
<td>Low</td>
</tr>
<tr>
<td>High</td>
<td>Low</td>
<td>Systematic and heuristic</td>
<td>Product quality</td>
<td>Low</td>
<td>increasing</td>
</tr>
<tr>
<td>Moderate</td>
<td>High</td>
<td>Heuristic</td>
<td>Product quality</td>
<td>Monetary sacrifice</td>
<td>Low</td>
</tr>
<tr>
<td>High</td>
<td>Low</td>
<td>Heuristic</td>
<td>Product quality</td>
<td>Low</td>
<td>decreasing</td>
</tr>
</tbody>
</table>

Trust mitigates the feelings of uncertainty that arise when the shop is unknown, the shop owners are unknown, the quality of the product is unknown, and the settlement performance is unknown (Tan & Thoen, 2001). These conditions are likely to arise in an electronic commerce environment. An explanation is that – in retrospect – perceived
usefulness may have been too narrowly operationalized. For example, ‘speed’ and ‘convenience’ are included in the scale, but perceptions about the price levels of the online store are not (Hans van der Heijden, Tibert Verhage and Marcel Creemers 2003).

2.4.2 Studies on Features of Product

Babin, Darden and Griffin (1994) and Baumgartner and Steenkamp (1996) propose, shopping need not be evaluated solely in terms of the goods or services acquired, it can involve experimental as well as utilitarian outcomes. In terms of Web behavior, the ease with which potential goal-directed shoppers can find the information they want, and the reliability they can place on that information, will be key determinants in their repeated use of the Web (Kathy Hammond, Gil McWilliam, Andrea Narholz Diaz, 1997). Previous studies have noted the moderating effects of domain knowledge or expertise on purchasing behavior (Alba and Chattopadhyay 1985).

In an earlier issue of Management Science, Keeney (1999) interviewed consumers about the pros and cons of Internet commerce and qualitatively categorized their responses into objectives (attributes) such
as maximize product quality, minimize cost, minimize time to receive the product, maximize convenience, and maximize shopping enjoyment.

### Table 2.4 Attributes of Store Type

<table>
<thead>
<tr>
<th><strong>Price</strong></th>
<th><strong>Low prices</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>Special sales, rebates, coupons</td>
<td>Quality of the merchandise</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>Transaction Cost</strong></th>
<th><strong>Easy to find product information</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>Immediate possession of products</td>
<td></td>
</tr>
<tr>
<td>Accepts all forms of payment</td>
<td></td>
</tr>
<tr>
<td>Helpfulness of salespeople</td>
<td></td>
</tr>
<tr>
<td>Brand selection and variety</td>
<td></td>
</tr>
<tr>
<td>Product found is in stock</td>
<td></td>
</tr>
<tr>
<td>Ability to compare products</td>
<td></td>
</tr>
<tr>
<td>Speed of selection and purchase</td>
<td></td>
</tr>
<tr>
<td>Interesting social or family experience</td>
<td></td>
</tr>
<tr>
<td>Charges for shipping and handling</td>
<td></td>
</tr>
<tr>
<td>Easy browsing for products</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>Uncertainty</strong></th>
<th><strong>Physical examination of products</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>Uncertainty about getting the right item</td>
<td></td>
</tr>
<tr>
<td>Post-purchase Service</td>
<td></td>
</tr>
<tr>
<td>Exchange-refund policy for returns</td>
<td></td>
</tr>
</tbody>
</table>

(Jacqueline J. Kacen et al, 2002)

In addition to tangibles, the product includes pleasantries, images, packaging, advertising, and other product features, all of which are thought to receive considerable attention in consumer choice-making (Kotler, 1973). Affective product features furnish fun, pleasure, fantasy and excitement. In contrast, cognitive product features are primarily instrumental, functional and goal-oriented (Dhar & Wertenbroch, 2000). When consumers give more weight to affective product features at the
expense of cognitive product features, they may be prone to making suboptimal purchase decisions that will bring regret later (Rook, 1987). It has been argued that consumers may overvalue affective product features at the expense of cognitive product features, depending on the environmental stimulation (Bitner, 1992; Lam, 2001).

It has been argued that consumers will prefer attractive products over functional products when they lack sufficient self-control resources (Hoch & Loewenstein, 199). According to Metcalfe and Mischel (1999), self-control ability is determined by the capacity to limit the dominance of affective considerations in the service of cognitive goal pursuit. This is possible through engagement in cooling operations such as distraction, symbolic transformations of the affective stimulus, avoiding drift to affective considerations, and enriching cognitive considerations. However, the extent of cognitive elaboration varies depending on several factors.

Consumers who were under high cognitive load were significantly more influenced by affective product features than consumers who were under low cognitive load. In other words, consumers with sufficient resources were better able to resist affective product features, whereas this was more difficult for consumers who lacked resources (Sabrina
Likewise, resisting tempting chocolates or suppressing one's emotions caused people soon afterwards to quit faster on unsolvable puzzles or to show impaired performance on solvable anagrams (Baumeister et al., 1998).

The global auto industry is witnessing a rapid change, perhaps owing to aggressive outsourcing strategies that are redefining global supply chains with an expanding demand for innovations in technology, products and manufacturing techniques. The auto industry worldwide has been facing many problems such as sluggish demand, excess capacity based on escalating customer expectations, resultant capacity under-utilization and huge investments required to comply with environmental and safety standards. All these factors have squeezed the margins of global auto majors.

However, the global auto sector has immense hope in the new and huge markets of India, China and South-East Asia. India has already emerged as a major producer in heavy trucks and passenger cars and is a world leader in manufacture of motorcycles (Badri Narayanan G, Pankaj Vashisht, 2008).
2.4.3 Studies on Infrastructure Availability

Results showed that the majority of motorcyclists felt discomfort during long distance travelling and that a customized motorcycle seat that exactly fits to the body geometry appeals to the majority of motorcyclists surveyed. Motorcyclists are willing to pay a premium for the customized seat and even wait a longer time for the customized product. The important factors motorcyclists considered when acquiring customized seats include effectiveness, quality/reliability, and wellbeing and injury prevention. Although there are some motorcyclists who prefer aesthetic customization, most motorcyclists value functionality and wellbeing above all these (Min Huey Ong, Helen Wagner, Christopher Tuck, and Richard Hague 2008).

Jacoby (2001) examines the influence of five consumption values on brand choice behavior within the New Zealand market for new road motorcycles using stepwise discriminant analysis. The greater variety of brands, forcing consumers to make more brand choices combined with the large financial value of some brands was the major motivator for this work.

Self-image congruence can also facilitate positive behavior and attitudes toward products. Mexico's emergence as a major economic force and
member of the world-wide consumer culture suggests that research should be directed toward issues related to consumer behavior in Mexico. A negative by-product of the consumer culture is compulsive buying (James A. Roberts, Carlos R. Martinez 1998). Quality is discussed in terms of perceived quality, a perception process that may have a different content for various persons, products and places. Several elements of an integrative model of the quality perception process are addressed. Quality cues can be intrinsic or extrinsic and are used by consumers to form more abstract beliefs about the quality of a product (Peter A. M. Oude Ophuis, Hans C. M. Van Trijp 1995).

Haley (1971, p. 8) stated that "people are apt to look at and remember things in which they are interested rather than things in which they are not" and that "the way people screen product information is related to the benefits they are seeking." (Haley 1971). When consumers do not have an opportunity to form an initial impression of a product, they may only consult their feelings about the product when they believe that these feelings are relevant to an assessment of its favorableness (Catherine W M Yeung, Robert S Wyer 2006).

Examples of relationship marketing tools include toll-free telephone access, addressing customers by name, providing advance information
on new products or sales, a high level of service quality, dialog, interactive communications, mass customization/high-variety product lines, satisfaction guarantees, rewards in the form of e.g. frequency bonus points, and complaint systems which facilitate rapid responses and the ease of use, innovative product features (Duncan & Moriarty 1998).

2.5 EMPIRICAL STUDIES ON SALES SUPPORT AND CONSUMER BEHAVIOR

It is suggested that the four main characteristics of services, intangibility, heterogeneity, perishability and inseparability, greatly increase the degree of perceived risk in the purchase of services by decreasing the certainty with which purchases can be made (Mitchell V.M, Greatorex M, 1993). As digital technology and consumer behavior evolve, marketers need to continuously enhance the value of their digital marketing offering. In an interactive two-way, addressable world, it is the consumer, and not the marketer, who decides with whom to interact, what to interact about, and how to interact at all (Field, 1996).

This requires that marketers acquire a good knowledge of the consumer behavior within such an environment and understand their habits and
preferences, in order to market products and services that meet their needs. To this end, they have the technology capabilities on their side, as the virtual retail environment provides them with an enormous amount of information they can use to enhance their understanding of the consumer. Since the work of Kelvin Lancaster, marketers have viewed products as bundles of features or attributes, which together form the basis of customer preferences for the product (K. J. Lancaster.1966).

Thus, to continue the motor vehicle example of Section 1, a car may have attributes such as: maximum speed; acceleration speed; fuel utilization; fuel tank capacity; engine size; passenger safety; child-safety; seating capacity; trunk capacity; the number of doors; anti-theft alarms; a pre-installed phone; air-conditioning; electric windows; color; price; payment terms; design; after-sales service; warranty period; the availability and costs of spare parts; brand reputation; resale value; etc.

Thus both tangible product features (such as engine size) and also intangibles (design, warranty, etc) may be important to a product definition and to consumer preferences for the product (Peter McBurney et al 2001).
Large size of the manufacturer also signals that the firm should have the necessary expertise and resources for support systems such as customer and technical services; the existence of these systems encourages trust (S. Chow and R. Holden 1997). Large size might be also used to signal that the store is able to assume the risk of product failure and to compensate buyers accordingly. In addition, large sellers should be able to control their suppliers, again increasing the perception of product or service reliability and credibility (Sirkka L. Jarvenpaa, Noam Tractinsky and Michael Vitale 2000).

Less well-known online retailers might be able to build and promote their reputations by describing their history (older being presumably better) and by quoting their policies for customer satisfaction, returns, and refunds. Online merchants also have the opportunity to collect and disseminate consumer testimonials regarding the quality, value, and efficiency of their service (Sirkka L. et al 2000).

Examples of relationship marketing tools include toll-free telephone access, addressing customers by name, providing advance information on new products or sales, a high level of service quality, dialog, interactive communications, mass customization/high-variety product lines, satisfaction guarantees, rewards in the form of e.g. frequency
bonus points, and complaint systems which facilitate rapid responses (Duncan & Moriarty 1998).

Incidentally, the increasing homogenization of certain service offers, such as McDonalds, where the emphasis on consistency is strong, is the topic of an interesting study by Ritzer (1996) who argues that increasing uniformity leads to a boring, dehumanized world characterized by the waning of emotion and affect.

As a result of this increasing importance of design, brand management and customer relationship, Assemblers have clearly set a strategic direction towards capturing more of the section of the value chain that links them to the final customer, including dealerships and services. They are also finding new ways to reach the customer, among which the internet has been getting most of the recent attention. While the overall revenues of distribution and after-sales service are already larger than the assembly business, they are bound to become even more important in the future (Francisco Veloso 2000).

In addition to traditional first tiers, that deliver some physical product to the OEM, new roles are also emerging. The growing system complexity, either at an OEM or first tier supplier, is inducing the development of a new type of suppliers. These do not supply physical products, but rather
services, in particular design and engineering. Response to strict deadlines and product proliferation in both OEMs and suppliers requires the ability to rapidly develop and test new concepts and solutions (Francisco Veloso 2000). The trade barriers are reduced, tariff lowered, import permit and quota eliminated, service trade set up and foreign firms will be allowed to open business in sale, service, financing, leasing and transport for motor vehicles (Francisco Veloso 2000).

2.6 EMPRICIAL STUDIES ON WORD OF MOUTH (REFERRAL) AND CONSUMER BEHAVIOR

It has long been accepted that word-of-mouth communications play a key role in new product adoption and much interest has been directed to the positive impact of interpersonal communications on new product dissemination and adoption. Limited attention, however, has been given to the adverse effect of negative word-of-mouth and consumers’ resistance to change, primarily since these negative forces are less visible, leaving no traces in sales data (Eliashberg, J., Jonker J.-J., Sawheny M. S., and Wierenga B ,2000; Mahajan, V., Muller E., and Kerin R. A 1984; Goldenberg, J., Libai B., and Muller E 2001).
There is no qualitative distinction between negative word-of-mouth and positive word-of-mouth, conceptualized as driving the growth process (Mahajan, V., Muller E., and Kerin R. A 1984). Resistance Leaders – opinion leaders who hold negative opinions about a product and show resistance to product adoption. These resistant leaders disseminate negative word-of-mouth and initiate a contagious resistance process, which is invisible by nature and eludes capture by sales data (Herr P. M., Kardes F. R., and Kim, J 1991).

When an idea is perceived as new, individuals will seek information to evaluate its expected utility and consequences. Word of Mouth (W-o-m) and other interpersonal communications occur among individuals who have already adopted the idea, on the one hand, and other individuals in the market, on the other. Both information holders and seekers may initiate a communications interaction: Some people desire to influence the purchase behavior of others, while others seek advice when considering a new product (Flynn, L. R., Goldsmith R. E., and Eastman J. K 1996).

Roots of negative word-of-mouth may range from dissatisfaction with a specific product to a generalized opposition to change. Resistance to change often occurs because people are reluctant to abandon the
familiar and are suspicious of the unfamiliar; however, Mukherjee and Hoyer (2001) attribute such resistance to the need to acquire new skills that is sometimes associated with product complexity.

Dissatisfaction with a new product usually arises from inadequate performance relative to expectations. However, dissatisfaction may occur on the basis of the advertising message or pricing, even in the absence of any trial use or purchase. Dissatisfaction may lead to one (or more) of three possible responses: 1) “exit” or discontinuation of purchase, 2) “voice” or complaint to the manufacturer, and 3) negative w-o-m to friends and acquaintances (Bearden W. O., and Oliver R. L 1985). WOM is especially critical for the success of service providers (Berry and Parasuraman 1991).

Financial service providers in India have long placed considerable faith in positive word of mouth communication as a means of attracting new customers and a variety of studies of customer choice of bank highlight the significance of personal recommendation. Given that financial services tend to be characterized by a predominance of experience and credence qualities, word of mouth communication is particularly valuable, providing the potential consumer with vicarious experience of
the service under consideration (Christine T. Ennew, Ashish K. Banerjee, and Derek Li 2000).

Subjective norms are a key factor in understanding Indian consumers’ new food purchase decisions regardless of their level of innovation. Specifically, subjective norms are found to have direct effects on attitudes, intention to buy, and purchase behavior for new processed food products. Surprisingly, attitudes have little effect on less innovative consumers’ intention to buy. Additionally, product familiarity had a significant impact on Indian consumers’ attitudes, subjective norms, intention to buy, and, ultimately, purchase behavior of the low innovator and high innovator groups (HoJung Choo, Jae-Eun Chung, and Dawn Thorndike Pysarchik 2004).

Disseminating energy-efficient technologies, even when they may appear to be technically perfect, is always a tough task, more so in economies with low purchasing power and educational levels. The compact fluorescent lamp (CFL) is one such well-known product that consumes only 20% electricity for the same light output as given out by the ubiquitous incandescent lamp and which, if adopted in a big way, has the potential of reducing peak electric power loads very significantly. However, in India, the CFL sales are still not growing in
the expected manner (Arun Kumar, Sudhir K. Jainb, and N. K. Bansal 2003).

Some important characteristics of food innovators/early adopters are that they tend to be opinion leaders, seek variety in food types and brands, and are more responsive to sales promotions and advertisements. Food prices are relatively important to all consumer groups focused (Shu-Shian Ling, Ho Jung Choo, Dawn Thorndike Pysarchik 2004). In the case of physical good quality, in some cultures the “experience” of the service encounter itself outweighs the tangible “product aspect” of the encounter. This is particularly true in cultures where a higher emphasis is placed on human interactions than the acquisition of materially-oriented products. In the case of service quality, there was a significant relationship between levels of service quality and purchase intentions in the developed markets in the study but not in the developing markets. Servicescape was found to significantly affect purchase intentions in seven of the eight countries in the study, with India being the exception (Bruce D. Keillor, Dale Lewison, G. Tomas M. Hult, and William Hauser 2007).

In India, USA and South Korea, the consumer ethnocentrism provokes negative attitudes toward both foreign advertisements and foreign
products. The authors identify a set of consumer variables (i.e., consumers’ global mind-set) that may mediate consumers’ unfavorable attitudes toward foreign advertisements and products derived by consumer ethnocentrism (Hyokjin Kwak, Anupam Jaju, and Trina Larsen 2006).

The word of mouth is an important message carrier in marketing executed by opinion leaders and reference group (AC Nielsen survey). Promotion of brands in rural markets requires the special measures and opinion leaders play an important role in promoting the product in rural India. Word of Mouth is an important message carrier in rural areas. It travels fast. When people like something they tell three others, while if they dislike or if they are unhappy with a product or service they tell eleven others. That is the effect of word of mouth. The impact of WOM is at strongest when it originates from social contacts because of their greater perceived reliability. The strength of WOM is influenced by perceived communicator characteristics and is moderated by perceived risk. (Siby Zacharias, Jose M C, Afsal Salam, Binu Kruvilla, Denny Anand 2008).

A delighted customer as one who obtains a positive level of surplus above a threshold level and consequently recommends the product to
another customer. The use of referral rewards depends on how demanding consumers are before they are willing to recommend (i.e., on the delight threshold level).

The optimal mix of price and referral reward falls into three regions: 1. When customers are easy to delight, the optimal strategy is to lower the price below that of a seller who ignores the referral effect, but not to offer rewards. 2. In an intermediate level of customer delight threshold, a seller should use a reward to complement a low-price strategy. As the delight threshold gets higher in this region, price should be higher and the rewards should be raised. 3. When the delight threshold is even higher, the seller should forsake the referral strategy altogether. No rewards should be given, and price reverts back to that of a seller who ignores referrals (Eyal Biyalogorsky, Eitan Gerstner, and Barak Libai 2000). Companies are increasingly aware of the need to manage referrals, and the use of "referral reward” programs have been growing steadily. These programs are designed to motivate consumers to spread positive word of mouth (WOM) about products or services, and thus, in essence, to integrate customers into the sales force (Murphy 1997).
2.7 EMPIRICAL STUDIES ON INDIAN CONSUMER PURCHASE PREFERENCES AND PRIORITIES

The consumer is confronted with a complex set of alternatives in many purchase situations. He has to choose the products and product classes from many varieties worth his money and efforts. Again, from each product category he has to make selections from different sizes, colors, styles, models and brands (Kotler, 1973). The consumer can also make decisions about when and where to buy the products that he needs or wants, how much he wants to spend on it, or how much he can afford and how he will pay for it. Some purchase decisions are routine and may not require these considerations any more than the blink of an eye. Other purchase situations may be more complex (Rook, 1987).

Some products may require cash outlays only. In some others, considerations like safety and health must also be examined. In a few others, consideration regarding status and prestige are also important. Many product purchases may require the evaluation of a variety of economic, social and psychological factors. A thorough understanding of these consumer preferences helps to identify different market segments and evolve suitable strategies for effective penetration into these segments. This will also help the organizations to strengthen their
action in anticipating consumer needs and wants and in shaping the
desires and aspirations of consumers and thereby solving many of the
consumers' day to day problems in purchase situations ((Donovan &
Rossiter, 1982).
Preferences are identified as one of the outcomes of experiences. As a
result of his experiences, the consumer forms certain expectations and
the possible consequences of his expectations are represented in his
attitude. "If a person can make a choice between two or more courses
leading to as many possible outcomes, then this person is said to have
preferences (Turley, Milliman, 2000).
Need is identified as an important influence in the perception of
consumers. The influence of physiological needs as a factor in consumer
perception has been clearly demonstrated in a number of studies. For
example, pictures of food flashed on a screen for very short periods of
time were more readily recognized when subjects were hungry than
when they were not hungry. (Mathur A, Moschis G.P and Lee E, 1999)
Secondly, Psychological needs also influence perception in a similar
manner. For instance, the consumers' mental state of affairs may play a
role purchase decisions. Thirdly, the sociological needs such as status,
dominance and love affilation also contribute to purchase choices. This
concept has been widely accepted by behavioral scientists (Gerald L. Lohse, Steven Bellman and Eric J. Johnson 2000).

When one considers the subject of consumer preferences, one is struck with the many alternatives relating to the purchases of goods and post purchase services. Apart from this, preferences are manifested in the form of generic product, the brand, the size, the store, as well as the price.

The consumer's product preference is influenced by the brand and services that go with it. It is difficult to imagine that in a normal situation, a consumer will make a purchase without paying enough attention to his needs and desires. Several brands of merchandise which are similar in the general quality of performance and external appearance are available to the consumers. In such a situation, previous personal experience, advertising informations and retailer recommendations create a preference in the minds of the consumers. The strength of the brand often depends upon the degree of preference attached to the product. In practice, the quality, style or pattern of the article, and its durability signifies the choice of a particular brand.

The consumer may not use all possible perceptions of the product but the marketer's search is for the "determinant attributes", a notion that
certain features of a product are closely associated with preferences, while other remaining features may be, immaterial. Such “attitude” towards features which are most closely related to preference or to actual purchase decisions, are said to be determinants (Golany, B, Phillips, F. Y and Rousseau, J. J 1991).

Brands and products acquire their images slowly; these images have two separable but interacting components: one consisting of the attributes of the product, the other consisting of the characteristics of the user. In both the cases, it is more appropriate to say "perceived" preferences are important characteristics, because a perceived characteristic can influence consumer behavior even when the perception is inaccurate (Hipple 1984). For example, in the area of automobile purchase decisions, Fred Reynolds and William D.Wells have identified over sixty attributes that can be ascribed to the purchase of automobile makes. They make their evaluations on the basis of a limited number of attributes selected from a total possible set (Aaker, Biel 1992). According to them, the buyer evaluates automobile purchase preference in terms of interior roominess, durability, gasoline economy, warranty coverage and price, while another might compare cars in terms of
styling, comfort performance and prestige (Murray and O’Driscoll 1996).

Stores Loyalty refers to a repetitive shopping attraction and is influenced by how consumers perceive outlets. Marketing efforts can be initiated to change these consumer perceptions of store attributes without damaging the perception of other equally important aspects of product image. Potential customers are attracted to one store or another form of retail outlet for several reasons. The most important reason in this regard is the image of the store related to the image preference of consumers.

This has been emphasized by Kunkel and Berry who reduce the number of attributes in this regard into twelve categories comprising of almost fifty dimensions of department store image. These include: Price of merchandise, quality of merchandise, assortment of merchandise, fashion of merchandise, sales personnel, locational convenience, other convenience factors, services, sales promotions, advertising, stores atmosphere and reputation on adjustments. (Murray and O’Driscoll 1996).

There are two levels of values which are significant in purchase decisions. They are terminal values and instrumental values. The
instrumental values include choice criteria, beliefs, attitudes and purchase. The terminal values are derived from a number of sources operationalized as being the kind of person who has household possessions which are different from those of other people I know. (Ganesan, 1994) The following operational instrumental values were derived from reducing a total of thirty eight original values by Factor Analysis: Rationality, Appearance, Independence, Novelty, Traditionality and Social Consciousness. At both levels of choice, the measurement ratings are important. Beliefs are measured as a consumer's belief about the extent to which the product and brand possess in a specified choice criterion.

2.8 CONCLUSION

In this chapter, the literature and previous research works of various authors relating to consumer behavior, studies on psychological factors contributing to purchasing decisions, studies on major factors affecting consumer purchase behavior, studies on various attributes of a product including features, infrastructure and price, studies on word of mouth or referral, and finally studies on Indian consumers purchase preferences were examined with reference to the various objectives of this research.