

**8155005**  
**Pondicherry University**  
**MBA DEGREE EXAMINATION**  
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**Third/Fourth Semester**  
**Business Administration**  
**CONSUMER BEHAVIOUR**  
**YEAR II / SEMESTER III**  
**Answer Key**

PART A (6 X 5 = 30 marks)

**1.Objectives of marketing action.**

Marketing is the process of converting buyer into customer by providing complete information of the product or service to the customer.

Objectives:

- Customer satisfaction
- Ensure profitability
- Building organizational Goodwill
- Create Demand
- Increase Sales volume
- Enhance product quality
- Creating time and space utility

**2. Impact of consumer involvement**

Consumer involvement can be defined as heightened state of awareness that motivates consumers to seek out, attend to, and think about product information prior to purchase.

Involvement with the product makes consumers process the product-related information more readily. This information is processed thoroughly; hence, it is retained for a longtime. Because of this the consumers become emotionally high and tend to engage in extended problem solving and word- of-mouth communications. These result into three categories:

- Search for information
- Processing information
  - Depth of comprehension
  - Extent of cognitive elaboration
  - the extent of emotional arousal of information
- Information transmission.

### **3. Advantages of opinion leadership**

Opinion Leadership is the process by which one person (opinion leader) informally influences the actions or attitudes of others, who may be opinion seekers or merely opinion recipients. The definition of opinion leadership emphasizes on informal influence. This informal flow of opinion related influence between two or more people is referred to as word-of-mouth communication.

- Influence market and consumer trends.
- Pass information and impact to use product
- Trusted source to help insight
- Inspire response on consumers
- Greater media exposure
- Have specific characteristics

### **4. Environment influence on consumer behaviour**

Include 4 factors

- Cultural factors
  - Culture
  - Sub culture
  - Social class
- Social factors
  - Reference groups
  - Family
  - Roles and statuses
- Personal factors
  - Age
  - Occupation
  - Economic condition
  - Family cycle
- Psychological factors
  - Learning
  - Perception

- Motivations

## **5.Important features of motivation**

- Motivation is goal-oriented
- Motivation is a continuous process
- Motivation may be positive or negative;Motivation may be monetary or non-monetary
- Motivation may be considered in totality, not in piecemeal
- Motivation is a psychological phenomenon that converts abilities into performance.

## **6. Concept of consumer perception.**

Customer perception is the opinions, feelings, and beliefs customers have about your brand. It plays an important role in building customer loyalty and retention as well as brand reputation and awareness

- It affects the brand image
- It influences purchasing decisions

## **7.What are the applications of strategic marketing?**

Strategic marketing relates to the action plans used by a company when allocating its resources to implement competitive strategies, which is the way it competes to strengthen its market position.

- Strategic Marketing Is Aimed To Have A Lasting Impact Over A Long Time Frame (Three Years), While A Marketing Strategy Is Effective Over A Shorter Time Frame (One Year)
- Strategic Marketing Is Built With The Idea To Steer An Organization In The Right Direction, While A Marketing Strategy Focuses On Branding And Publicizing The Organization
- The Strategic Marketing Process Is Concerned With Personnel At A Corporate Level, While The Marketing Strategy Process Is Concerned With Personnel At The Product Manager Level

## **8. Explain the marketer's responsibilities in detail**

- Evaluating and optimizing marketing and pricing strategies.
- Analyzing market trends and preparing forecasts.
- Generating new business leads.
- Increasing brand awareness and market share.
- Coordinating marketing strategies with the sales, financial, public relations, and production departments.
- Developing and managing the marketing department's budget.
- Overseeing branding, advertising, and promotional campaigns.

- Managing the marketing department's staff.
- Preparing and presenting quarterly and annual reports to senior management.
- Promoting our brand at trade shows and major industry-related events.
- Keeping informed of marketing strategies and trends.

## **9. Write a note on Habits of consumer buying**

The four primary types of consumer behavior that help us understand when and how a customer might make a purchase:

- Complex buying behaviour
- Dissonance reducing buying behaviour
- Habitual buying behaviour
- Variety seeking customers

## **10. Compare direct marketing with indirect marketing.**

Direct marketing is a promotional method that involves presenting information about your company, product, or service to your target customer without the use of an advertising middleman. It is a targeted form of marketing that presents information of potential interest to a consumer that has been determined to be a likely buyer.

Indirect marketing is a marketing strategy where brands market their products by using subtle methods rather than being overly promotional. Indirect marketing relies on the assumption that your audience will not be purchasing your product or service immediately, but rather over time. This means that process of indirect marketing can be weeks or even months long between the impression and a physical sale. A few examples of indirect marketing include referral systems and blogs.

## **Part B (5 x 10 = 50 marks)**

## **11. Narrate the process of decision making.**

The consumer decision making process involves series of related and sequential stages of activities. The process begins with the discovery and recognition of an unsatisfied need or want. It becomes a drive. Consumer begins search for information. This search gives rise to various alternatives and finally the purchase decision is made. Then buyer evaluates the post purchase behavior to know the level of satisfaction.

Steps include

- Need Recognition
- Information Search
- Evaluation of alternatives
- Purchase decisions
- Post purchase behaviour

## **1. Need Recognition**

When a person has an unsatisfied need, the buying process begins to satisfy the needs. The need may be activated by internal or external factors. The intensity of the want will indicate the speed with which a person will move to fulfill the want. On the basis of need and its urgency, the order of priority is decided. Marketers should provide required information of selling points.

## **2. Information Search**

Identified needs can be satisfied only when desired product is known and also easily available. Different products are available in the market, but consumer must know which product or brand gives him maximum satisfaction. And the person has to search out for relevant information of the product, brand or location. Consumers can use many sources e.g., neighbors, friends and family. Marketers also provide relevant information through advertisements, retailers, dealers, packaging and sales promotion, and window displaying. Mass media like news papers, radio, and television provide information. Nowadays internet has become an important and reliable source of information. Marketers are expected to provide latest, reliable and adequate information.

## **3. Evaluation of Alternatives**

This is a critical stage in the process of buying. Following are important elements in the process of alternatives evaluation

- a. A product is viewed as a bundle of attributes. These attributes or features are used for evaluating products or brands. For example, in washing machine consumer considers price, capacity, technology, quality, model and size.
- b. Factors like company, brand image, country, and distribution network and after-sales service also become critical in evaluation.
- c. Marketers should understand the importance of these factors with regards to the consumers while manufacturing and marketing their products.

## **4. Purchase Decision**

Outcome of the evaluation develops likes and dislikes about alternative products or brands in consumers. This attitude towards the brand influences a decision as to buy or not to buy. Thus the prospective buyer heads towards final selection. In addition to all the above factors, situational factors like finance options, dealer terms, falling prices etc., are also considered.

## **5. Post- Purchase Behavior**

Post-purchase behavior of consumer is more important as far as marketer is concerned.

Consumer gets brand preference only when that brand lives up to his expectation. This brand preference naturally repeats sales of marketer. A satisfied buyer is a silent advertisement. But, if the used brand does not yield desired satisfaction, negative feeling will occur and that will lead to the formation of negative attitude towards brand. This phenomenon is called cognitive dissonance. Marketers try to use this phenomenon to attract users of other brands to their brands. Different promotional-mix elements can help marketers to retain his customers as well as to attract new customers.

## **12. Enumerate the various consumer models.**

Consumer Behaviour is the study of individuals, or organizations and the processes consumers use to search, select, use and dispose of products, services, experience, or ideas to satisfy needs and study of its impact on the consumer and society.

### **1. Economic or Marshallian Model**

This theory was first advanced by the economists. They gave formal explanation of buyer behavior. According to this theory the consumers are assumed to be rational and conscious about economic calculations. They follow the law of marginal utility. An individual buyer seeks to spend his money on such goods which give maximum satisfaction (utility) according to his interests and at relative cost. The buying behavior is determined by the income— its distribution and level - affects the purchasing power. The economic factors which affect the buyer behavior are:

- a. Disposable Personal Income
  - i. Size of family income
  - ii. Income Expectation
  - iii. Tendency to spend and to save
  - iv. Liquidity of funds

### **2. Learning or Pavlovian Model**

- a. Drives
- b. Cues
- c. Responses

### **3. Psychoanalytical Model**

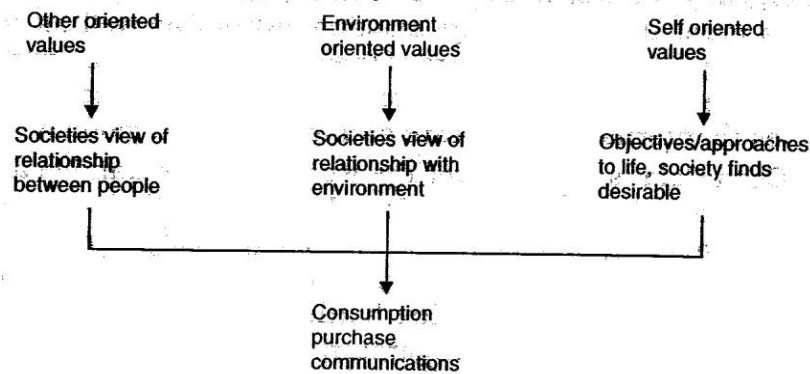
- a. Id
- b. Ego
- c. Superego

### **4. Sociological Model**

### **5. Howard Sheth Model**

## **13. Describe the marketing implications on cultural influences.**

Culture is that complex whole which includes knowledge, belief, art, law, morals, customs and any other capabilities and habits acquired by humans as members of society. Culture influences the pattern of living, of consumption, of decision-making by individuals. Culture is acquired and it can be acquired from the family, from the region or from all that has been around us while we were growing up and learning the ways of the world.



## Other Oriented Values

This shows the relationship between individuals and the society. The relationship influences marketing practices. If the society values collective activity, decisions will be taken in a group. It gives rise to following questions which affect consumer behavior.

**Romantic orientation:** This depicts whether the communication is more effective which emphasizes courtship or otherwise. In many countries a romantic theme is more successful.

**Adult/ child theme:** Is family life concentrated round children or adults? What role do children play in decision-making?

**Masculine/ Feminine:** Whether the society is male dominant or women dominant or balanced.

**Competitive/ Cooperation:** Whether competition leads to success. This is achieved by forming alliances with others.

**Youth/ age:** Are prestige roles assigned to younger or older members of the society. American society is youth oriented and Korean is age oriented. Decisions are taken by mature people in Korea.

## I. Environment Oriented Values

**Cleanliness:** If a culture lays too much stress on cleanliness. There is scope for the sale of beauty creams, soaps, deodorants, insecticides, washing powder, vacuum cleaner, etc. In western countries, a lot of emphasis is placed on this aspect and perfumes and deodorants are widely used.

**Performance/ status:** A status oriented society cares for higher standards of living, and chooses quality goods and established brand names and high priced items. This is true for the United States, Japan, Singapore, Malaysia, Indonesia, Thailand and most Arabic countries.

In performance oriented societies, where rewards and prestige is based on an individual's performance, less importance is given to brand names. Products which function equally well and may not be big brand names are used. Germans do not give the same amount of emphasis to

brand names. The marketers adopt strategies accordingly.

**Tradition/ change:** Traditional oriented societies stick to the old product and resist innovation or new techniques. In traditional societies, there is less scope for new products, and old traditional products are in greater demand. In some societies which are upwardly mobile, consumers are looking for modern methods, new products, new models and new techniques.

**Risk taking/ security:** An individual who is in a secure position and takes a risk can be either considered venturesome or foolhardy. This depends on the culture of the society. For developing new entrepreneurs risk taking is a must. It leads to new product development, new advertising themes and new channels of distribution. Security oriented societies have little chances of development and innovation.

**Problem solving/fatalist:** A society can be optimistic and have a problem solving attitude or, be inactive and depend on fate. This has marketing implications on the registering of complaints when consumers are dissatisfied with the purchase of the products. Advertising plays an important part and gives guidance to the consumer, and removes these doubts to a great extent.

**Nature:** There are differences in attitude over nature and its preservation. Consumers stress on packing materials that are recyclable and environment friendly. Some countries give great importance to stop environmental pollution and to recycling of products.

Companies like P&G, Colgate-Palmolive captured a great extent of the market by offering products which are less harmful to the environment. They also use ingredients in the products which are not harmful in any way.

## II. Self-Oriented Values

**Active/passive:** Whether a physically active approach to life is valued more highly than a less active orientation. An active approach leads to taking action all the time and not doing anything. In many countries, women are also taking an active part in all activities. This makes the society a highly active one, where everybody is involved in work.

**Material/ non-material:** In many societies money is given more importance, and a lot of emphasis is on being material minded. While in many societies things like comfort, leisure and relationships get precedence over being materialistic. Materialism can be of two types.

- Instrumental materialism: which is the acquisition of things to enable one to do something or achieve something. Cars are used for transportation. People like to possess things of material value which would help them to bring efficiency.
- Terminal materialism: is the requisition of materialism for the sake of owning it rather than for use-Art is acquired for owning it. Cultural differences play an important role in this type of materialism. Instrumental materialism is common in the United States of America, where as Japanese advertisements are mostly dominating terminal materialism.



**Hard work/leisure:** This has marketing implications on labor saving products and instant foods. Some societies value hard work and consider it as a fuller life. Others adopt labor saving devices and instant foods to have more leisure time at their disposal.

**Postponed gratification/ immediate gratification:** Should one save for the rainy day or live for the day? Sacrifice the present for the future, or live only for the day? Some countries like The Netherlands and Germany consider buying against credit cards as living beyond one's means, whereas credit cards are very popular in America and other countries having a different cultural orientation, some prefer cash to debt. Some societies save for tomorrow; others enjoy the present and spend lavishly.

**Sexual gratification/Abstinence:** Some traditional societies curb their desires, food, drinks or sex, beyond a certain requirement. Muslim cultures are very conservative, and do not want their women to be seen in public or be exposed, so the Polaroid camera which gives instant photographs can be purchased and pictures can be taken by the family members without their women being exposed to the developers in a photo lab.

**Humor/ serious:** Should we take life lightly and laugh it off on certain issues or, take everything seriously? This is another aspect of culture. Advertising, personnel selling techniques and promotion may revolve around these themes and the way the appeal for a product is to be made in various cultures.

#### **14. Discuss the environmental influence on social class**

Social class can be defined as 'The division of members of a society into a hierarchy of distinct status classes, so that members of each class have relatively the same status and the members of all other classes have either more or less status.'

Factors responsible for Social Stratification

- Provides a sense of identity
- Imposes a set of 'normative' behavior
- Classes share values, possessions, customs and activities
- Marketing response to customers of different economic means
- Marketing to the low-income consumer
- Some marketers ambivalent as not perceived as long-term customers constitutes a substantial group
- Target with value-oriented strategies

#### **15. Elucidate the functions of consumer perceptions.**

Perception is the process of selecting, organizing and interpreting information inputs to produce meaning. Perception is a mental process, whereby an individual selects data or information from the environment, organizes it and then draws significance or meaning from it.

People can emerge with different perceptions of the same object because of three perceptual processes:

1. Selective attention

2. Selective distortion and
3. Selective retention

Consumer Perception can make or break your brand. Getting the products that were described in description creates positive customer perception.

It can change based on internal and external factors like past experience, price, quality, usability, location, customer Service, Reputation and marketing

## **16 Explain the following**

### **a) Psychographics**

Psychographics is the psychological study of consumers and their attitudes, interests, personality, values, opinions, and lifestyle. Psychographics are incredibly valuable for marketing, but they also have use cases in opinion research, prediction, and broader social research.

- Provides information on – personality, motives, lifestyles, geo- demographics
- Groups consumers based on
- Activities: work, hobbies, entertainment, shopping
- Interests: family, home, community, fashion, media
- Opinions: themselves, politics, economics, culture

### **b) Consumer personality**

Personality refers to the inner psychological characteristics of a person to determine, how a person responds to his/her environment.

### **e) Life styles of consumer**

Life style is a constellation of individual characteristics that reflect certain behaviors participation in groups, activities, hobbies, volunteer activities

Commitments to certain behaviors product constellations

### **Lifestyle impacts on Consumer Analysis**

- What type of buying behavior is preferred?
- Foundation of time use and time preferences.
- Patterns of consumption are based on lifestyle
- People sort themselves into groups based on what they like to do - sports, reading, fishing, music enthusiasts

## **17. Describe the merits and demerits of marketing communication**

### **Advantages:**

- Promotes Your Business to a Target Audience
- Helps You Understand Your Customers
- Helps Brand Your Business

### **Disadvantages**

- Costs of Marketing
- Time and Effort May Not Yield a Return

### **18. What are the positioning strategies of existing product. Elucidate?**

Positioning is the technique by which marketers try to create an image or identity in the minds of their target market for its product, brand, or organization. It is the 'relative competitive comparison' their product occupies in a given market as perceived by the target market. Positioning is something (perception) that is done *in the minds of* the target market. the product positioning process involves:

1. Defining the market in which the product or brand will compete (who the relevant buyers are)
2. Identifying the attributes (also called dimensions) that define the product 'space'
3. Collecting information from a sample of customers about their perceptions of each product on the relevant attributes
4. Determine each products' share of mind
5. Determine each products' current location in the product space
6. Determine the target market's preferred combination of attributes (referred to as an *ideal vector*)
7. Examine the fit between:
  - › The position of your product
  - › The position of the ideal vector
8. Finally, Position.

### **19. Bring out the various issues of ethics**

- Privacy and Confidentiality
- Socially Vulnerable
- Health Insurance Discrimination
- Employment Discrimination
- Individual Responsibility
- Race and Ethnicity
- Implementation Issues

### **20. Examine the impact of perception of emerging non-store choice.**

Consumers are now giving importance much on non store choice as they can purchase at ease and on their own convenience. Many businesses have started to shift their shops as non store because of

- Lower business/overhead costs. Traditional retailing requires a physical brick-and-mortar store. Non-store retailing requires few resources.
- Better and easier access to the market. If you've got a warehouse or other storage solution for your products, you can set up your business with a simple online shop and start selling.
- Market growth. Non-store retailing gives you the world at your fingertips, with access to international and local customers.
- Customer information. Thanks to the very nature of online selling and analytics, non-store retailing provides you with invaluable customer information that brick-and-mortar stores can't offer.

**Part C (1 x 20 = marks)**

**21.** Sachin and Virag are two enterprising youth. They have passed out from IIM, Bangalore. They thought instead of doing a job, they will launch fresh vegetables in Indian markets. Having learnt of the future conventional foods, they decided to venture into cultivation of mushrooms. Mushrooms are known to be the best alternative food for vegetarians. For Sachin and Virag fund raising was a serious handicap for mass production. However, the first trial batch of mushrooms that they produced was bought by Star Hotel in Bangalore. Further, the hotel placed orders for supply of 20 kgs every day. Now mushroom industry is run by small entrepreneurs, like Sachin and Virag. Another big player M/s Ashtavinayak Mushrooms, equipped with cold storage facility was more interested in the export market. Sachin and Virag have set their sights high. They aim to sell mushrooms in a very big way all over India. Mushrooms have a great market potential and is a perishable food.

**a) How will you advise Sachin and Virag, as how to increase the consumer awareness about this new food?**

Consumer awareness can be created by test marketing. Through sales persons and customer response to the product. Samples can be distributed in big malls and Variety stores. Awareness can also be created through outdoor publicity such as wall hoardings, banners, pamphlets and can be through social media. Brand name of the company along with the product can also be highlighted to the customer by using the concept of event marketing.

Household Approach to hotel industry can be made and product benefit can be shown to convince the customer. Mushroom related recipe booklet can be given to them for use. Can approach the T.V programs for advertisement to show different recipes of Mushrooms in their shows. Editors, journalists of newspapers having maximum circulation can be contacted and samples to be distributed to them Packaging should be attractive.

**b) What would be your suggestions for distribution channel for mushrooms?**

Product having being perishable, company should go for faster and effective distribution network having cold storage facility. • Distribution through company delivery vans in local market and distribution through rail or road transport to urban markets.

**\*Answers with different points of view are also accepted in Part C alone based on individual perception.**