



**Virtual University of Pakistan**  
FEDERAL GOVERNMENT UNIVERSITY

**COURSE HANDOUTS**

# Consumer Behavior

**MKT530**

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## LESSON 1

# AN INTRODUCTION TO CONSUMER BEHAVIOR AND MARKETING CONCEPT

### An Introduction to Consumer Behavior

#### Agenda:

1. What is consumer behavior?
2. Marketing concepts
3. Types of consumers
4. Implementation of marketing concepts
5. Current challenges for marketers
6. Consumer behavioral model

#### Introduction

Consumer behavior is the study of processes involved when individuals or groups select, purchase, use, or dispose of products, services, ideas, or experiences to satisfy needs and desires.

More specifically, consumer behavior is considered to be a decision making process. It is the totality of all activities and behaviors that consumer displays.

For example, shopkeeper in a village want to sell his products to a customer, he needs to understand the needs of customer before he moves to the actual exchange.

Marketer has to persuade the customers to choose his products for which he needs to know two important things:

- what influences customers
- how to make their product as choice number one

For example; in early 19<sup>th</sup> century, Ford developed Ford Motor Car with an ambition to provide the cheapest car to every one who could buy. That was one aspect of the 'marketing concept'. On the other side of the picture, within 10 years of its launch, Alfred P. Sloan decided to launch a car for "every body's choice", hence they launched General Motors. And this concept was later emerged as marketing segmentation.

Marketing has gone through a number of phases: five most important steps are as follows:

1. The Production Concept
2. The Product Concept

3. The Selling Concept
4. The Marketing Concept
5. The Societal Marketing Concept

### **1. The Production Concept**

It holds that consumers will prefer products that are widely available and inexpensive. Managers focusing on this concept concentrate on achieving high production efficiency, low costs, and mass distribution.

### **2. The Product Concept**

This orientation holds that consumers will favor those products that offer the most quality, performance, or innovative features. Managers focusing on this concept concentrate on making superior products and improving them over time.

### **3. The Selling Concept**

It holds that consumers and businesses, if left alone, will ordinarily not buy enough of the selling company's products. The organization must, therefore, undertake an aggressive selling and promotion effort. Their aim is to sell what they make rather than make what the market wants.

### **4. The Marketing Concept**

It holds that the key to achieving the organizational goals (goals of the selling company) consists of the company being more effective than competitors in creating, delivering, and communicating customer value to its selected target customers. The marketing concept rests on four pillars: target market, customer needs, integrated marketing and profitability.

### **5. The Societal Marketing Concept**

It holds that this all must be done in a way that preserves or enhances the consumer's and the society's well-being.

*(Retrieved from Kotler, Philip. (2000) Marketing Management. Upper Saddle River, New Jersey: Prentice Hall.)*

## Two types of consumers

There are two types of consumers:

- (1). Household consumers.
- (2) Institutions/Organizations

Marketers need to understand their consumers and then devise strategies accordingly. The strategies for household consumers will be different from organization consumers and vice versa. But the focus of the marketers to gain competitive advantage in the eyes of consumers relative to the competitors. In order to gain competitive advantage, three aspects are important: *customer satisfaction*, *customer value*, and *customer retention*. For example, if one company is providing more value to the customer relative to the competitors, then the same will gain more competitive advantage. Customer value is defined in terms of price and cost. It is the difference between price which a customer is supposed to pay and the cost which is incurred in the manufacturing of the product.

## Implementation of marketing concept

Following three steps are normally used for the implementation of marketing concept:

1. Segmentation
2. Targeting
3. Positioning

### 1. Segmentation

Segmentation is the process of grouping people or organizations within a market according to similar needs, characteristics, or behaviors. It can also be defined as a process to identify the consumers who are similar to one another in one or more ways, and then devise marketing strategies that appeal to one or more groups.

### 2. Targeting

Targeting is the actual selection of the segment the company wants to serve. Target market is the group of people or organizations whose needs are similar and a product is specifically designed to satisfy those needs.

### 3. Positioning

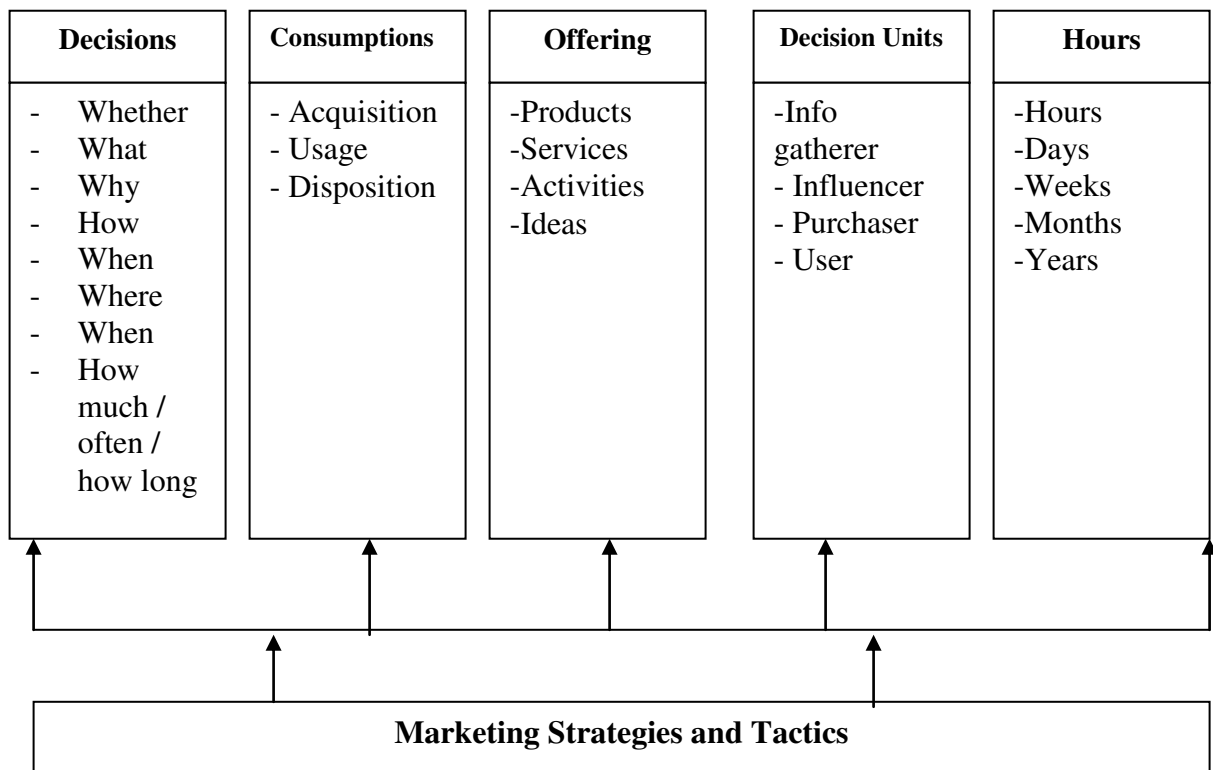
Positioning is the use of marketing to enable people to form a mental image of your product in their minds (relative to other products). Positioning requires marketing mix; product, price, promotion, and place.

### Current challenges for marketers

1. Rapidly evolving technology
2. Ethics
3. Changing needs and wants
4. Cultural assimilation
5. Environmental issues
6. Globalization

Marketers need to understand these challenges and devise marketing strategies accordingly. Finally, consumer behavioral model is discussed as follows:

### CONSUMER BEHAVIORAL MODEL



## LESSON 2

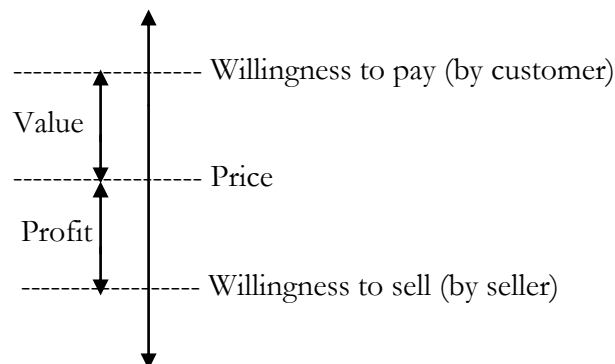
## CUSTOMER VALUE

**Consumer Research****Agenda:**

1. Customer Value
2. Consumer Research
  - a. Qualitative Research
  - b. Quantitative Research
3. Data collection methods
  - a. Survey method
  - b. Experiments
  - c. Observations
4. Types of Data
  - a. Secondary
  - b. Primary
5. Validity and Reliability

**1. Customer value**

Customer value is the difference between what a customer gets from a product, and what he or she has to give in order to get it or simply, it is the difference between cost and benefits.

**2. Consumer research**

Consumer research is the investigation into the driving forces behind customer behavior, consumer psychology and purchase patterns. Consumer research is focused on obtaining objective

information through statistical sampling to help businesses craft products and advertising that increase sales and profitability. There are two broad areas of research known as qualitative research and quantitative research.

#### **a. Qualitative Research**

Qualitative research involves analysis of data such as words, pictures or objects. Qualitative data is more 'rich', time consuming, and less able to be generalized. The data in qualitative studies is normally conducted/collected through:

- Focus groups
- In depth interviews
- Ethnography

#### **b. Quantitative Research**

Quantitative research involves analysis of numerical data. Quantitative data is more efficient, able to test hypotheses, but may miss/overlook contextual detail. This type of research is more close to cause and effect relationships. There are many methods for the collection of data. Few of them are as follows:

- a. Survey method
- b. Experimental method
- c. Observation method

#### **a. Survey Method**

Data is usually collected through the use of questionnaires, although sometimes researchers directly interview subjects. There are two basic types of surveys: cross-sectional surveys and longitudinal surveys. Cross-sectional surveys are used to gather information on a population at a single point in time. Longitudinal surveys gather data over a period of time. The researcher may then analyze changes in the population and attempt to describe and/or explain them. Normally survey is conducted through:

- Personal interviews
- Mail survey
- Telephonic survey
- Mall intercept

### **b. Experimental methods**

There are a number of ways to conduct a scientific experiment. For example; laboratory experiments, field work, surveys, or longitudinal studies etc.

### **c. Observation method**

Observation method is a technique in which the behavior of research subjects is watched and recorded without any direct contact. This method involves human or mechanical observation of what people actually do or what events take place during a buying or consumption situation.

## **4. Types of data**

There are two types of data known as secondary data and primary data. *Secondary data* is the data which pre-exist in the system. Secondary research gathers information which has already been collected. *Primary data* is collected for a particular purpose and is new information. This is conducted using some means of questioning usually via a survey or interviews.

## **5. Validity and reliability**

While conducting research, more emphasis should be given to the validity and reliability of the instrument used for data collection. *Validity* means the instrument which you have used is really relevant to the questions at hand. And this information is significant from the point of view of what is the purpose of the research. *Reliability* is interpreted as the instrument you have used to collect information for the first time, if the same instrument is used to the same sample again, you would get the same responses. Then, it means that the instrument is reliable.

## LESSON 3

## CONSUMER BEHAVIOUR RESEARCH

**Consumer Behavior Research**

This lecture first summarizes the previous lecture on consumer research with more depth explanation. Initially qualitative and quantitative data is explained and important steps are explained in detail. In quantitative research, most important is survey method and survey is normally conducted through questionnaire. There are two types of questionnaire, (a). Disguised (b). Undisguised.

(a). Disguised Questionnaire is one in which purpose of research is not explained to the audience/respondents. This method normally give better and useful responses.

(b). Undisguised questionnaire is one in which the purpose of research is shared with the respondents. Problem with this type of research is that the respondents are more inclined to answer closer to what researcher is looking for. Hence, chances of biasness are high in undisguised questionnaire.

There are two types of questionnaire: (a). Open ended (b). Close ended.

(a). Open ended are those in which a space is given to the respondents to write whatever they want against the asked questions.

(b). Close ended questions are those in which numerical scales are given and respondents respond according to their perceptions. Normally likert scale is used for the close ended questions.

**Language of questions**

Most critical issue in questions is the language. Whenever we write the questions, we need to avoid from the following pitfalls:

- We should not ask *Leading questions* (question is suggested within the questions)
- We should not use the words that are specific to specific category. We need to use *Simple words* so that every one can understand easily.
- We should also be very careful that *respondents should be able to answer*.
- We should ask the questions that respondents are *willing to answer*.
- Finally, we should *avoid asking two points in one question*.

## Research design

Research design required three things:

1. Instrument
2. Sampling plan
3. Data collection method.

Here, we need to understand the way instruments can be used. For this, we go through the concept of measures – scales.

There are different types of scales; few of them are as follows:

1. Attitudinal scale
2. Satisfaction measures
3. Importance scale
4. Semantic differential scale
5. Behavioral intention scale

### 1. Attitudinal scale

An attitudinal scale is a device consisting of symbols that have a value assigned to them by the researcher. Attitudinal scales are very popular measuring instruments with researchers. The best known type of a scale is Likert scale, which consists of items to which a subject responds with varying degrees of intensity. For example, commonly used alternatives are: strongly agree (SA), agree (A), undecided (U), disagree (D), strongly disagree (SD).

### 2. Satisfaction measures

Satisfaction measure is the type in which we normally identify the scale from very satisfied (1) to very satisfied (5).

### 3. Importance scale

In importance scale, respondents are asked to show their perceptions on the scale extremely important (1) to not at all important (5).

### 4. Semantic differential scale

Semantic differential is a type of a rating scale designed to measure the connotative meaning of objects, events, and concepts. The connotations are used to derive the attitude towards the given

object, event or concept. For example, reliability - no reliability; good - bad; important – unimportant; useful – unuseful etc.

#### 5. Behavioral intention scale

The questions like ‘how likely are you to continue using A,B,C’. Answers will be expected on definitely will continue (1) to definitely will not continue (5).

### Sampling design

The method of selecting sample units to be included in a sample. There are two types of sampling: (I). Probability Sampling, (I). Non-Probability Sampling. Each one is being explained below:

#### (I). Probability Sampling

A probability sampling method is any method of sampling that utilizes some form of random selection. There are further four steps of probability sampling explained as below:

##### *(a). Simple Random Sampling*

Every possible combination of sampling units has an equal and independent chance of being selected. The selection of a particular unit to be sampled is not influenced by the other units that have been selected or will be selected. Samples are either chosen with replacement or without replacement.

##### *(b). Systematic Sampling*

The initial sampling unit is randomly selected or established on the ground. All other sample units are spaced at uniform intervals throughout the area sampled. In this type of technique, sampling units are easy to locate and appear to be representative of an area.

##### *(c). Stratified Random Sampling*

In this type of sampling technique, population is subdivided into subpopulations of known sizes. In order to obtain a more precise estimate of the population mean, a simple random sample of at least two units is drawn from each subpopulation. If the variation within a subpopulation is small

in relation to the total population variance, the estimate of the population mean will be considerably more precise than a simple random sample of the same size.

***(d). Cluster Sampling***

Cluster sampling is a sampling technique in which the entire population of interest is divided into groups, or clusters, and a random sample of these clusters is selected. Each cluster must be mutually exclusive and together the clusters must include the entire population. After clusters are selected, then all units within the clusters are selected. No units from non-selected clusters are included in the sample.

**(II). Nonprobability Sampling**

Nonprobability sampling does not involve *random* selection. There are different types of nonprobability sampling.

***(a). Convenience sampling***

Convenience sampling is a non-probability sampling technique where subjects are selected because of their convenient accessibility and proximity to the researcher.

***(b). Judgment Sampling***

In judgment sampling, the researcher or some other "expert" uses his/her judgment in selecting the units from the population for study based on the population's parameters. This type of sampling technique might be the most appropriate if the population to be studied is difficult to locate or if some members are thought to be better (more knowledgeable, more willing, etc.) than others to interview.

***(c). quota sampling***

A sampling method of gathering representative data from a group. Quota sampling requires that representative individuals are chosen out of a specific subgroup. For example, a researcher might ask for a sample of 100 females, or 100 individuals between the ages of 20-30.

**Ethical issues**

There are some ethical issues in research which needs to be considered.

- (1). Assure the respondents that the information will not be used for any other purpose except the purpose of research that has been explained to them.
- (2). No misleading information should be provided to the respondents.

**LESSON 4****CUSTOMER SATISFACTION AND SEGMENTATION****Customer satisfaction and Segmentation**

This lecture mainly focused on two broad areas of marketing. Customer satisfaction and segmenting consumer markets (segmentation). First, we define customer satisfaction as follows:

**Customer satisfaction**

Customer satisfaction is a measure of how products and services supplied by a company meet or surpass customer expectation. It has two main factors:

- (a). Customer expectation
- (b). Delivered value

If customer expectation is less than delivered value, customer is highly satisfied. If customer expectation meets delivered value, then customer is satisfied. And if customer expectation exceeds delivered value, then customer is dissatisfied. The task of marketer is to meet customer expectation so that customer can be satisfied.

***How to measure customer expectation?***

Customer expectation can be measured through following methods:

- a. Survey method (interviews, field studies etc)
- b. Complaint center (put a small box and ask customer to put their comments in the box, comment cards etc.)

***How to measure Delivered value?***

Delivered value can be measured through following methods:

- a. Survey method (interviews, field studies etc)
- b. Ghost shopping (one of the company member visit service center as a customer and observe the level of service)

## Segmentation

Customers are all different in the way they think, in the way they feel, in the way they live, in the way they consume and in the way they choose. So, it means that there is diversity in the customers. In fact, this diversity creates a great opportunity for the marketers because if all the people have same needs and wants, then it will be difficult for the marketers to differentiate the products that could be offered to the customers. It will result in a single product/service with same price for the whole market. Since this is not the case, every individual has different type of wants and choices, therefore, marketers need to understand which customer have which type of need/want and what they can offer to satisfy that specific need/want. Before moving further, first, we should define what the difference between need and want is:

*Need:* Need is something which exists in our systems. For example, hunger.

*Want:* In order to satisfy our need, we *want* something. In the above example of hunger, we can eat savour pulao, burger, chapli kabab etc.

So here, we come to know that needs are similar which normally exist in the market, but wants are different accordingly to the buying power of the individual customers. Since different consumers want different things to satisfy their similar needs, therefore, marketers need to divide the consumers into different segments in order to easily recognize the wants and then satisfy their exact needs. Hence, we define segmentation as the process of dividing the total heterogeneous market into groups which are similar in their wants.

For example, in a market 20% consumers want similar product, then marketers can discover the want of 20 consumers to satisfy them and name it as a segment.

### Basis of segmenting consumer market

1. Geographic segmentation
2. Demographic segmentation
3. Psychographic segmentation
4. Psychological segmentation
5. Socio-cultural segmentation
6. User-Related segments
7. Usage situations
8. Benefits segmentations
9. Hybrid

## **1. Geographic segmentation**

People with similar demographic characteristics normally live nearby. For example; in urban areas, towns, states, regions and countries etc. People living within the same geographical boundaries often have similar buying patterns. Therefore, marketers can divide the market based on the geographical areas.

## **2. Demographic segmentation**

Demographic segmentation is based on various demographic factors such as age, gender, marital status, family size, income, occupation, education, nationality and social class etc. This type of segmentation helps the marketers to divide the market into several groups and then target each of these groups to satisfy their needs and ultimately increasing company's performance.

## **3. Psychographic segmentation**

Psychographic segmentation is dividing the markets on the bases of interests, activities, opinions, behavioral patterns, habits, lifestyle, and hobbies etc. This type of segmentation plays on the psychology of the potential customers and helps the marketers to determine how potential customers belonging to a particular segment can be approached.

## **4. Socio-Cultural segmentation**

Three major aspects are:

1. Family Life cycle
2. Cultural base cycle
3. Social status

### **1. Family Life Cycle**

(a). Middle aged divorced without children: this group will have different choices because they are divorced and have no children.

(b). Middle aged married without children; this group will obviously have different choices as compared to the previous one.

- (c). Young divorced without children; this group will have different choices because their life style will be different due to young age.
- (d). Young single; they are not married having young age, so choices will be accordingly.
- (e). Young married with children; again choices will be different. And finally,
- (f). Older; this group will have totally different choices than the previous groups.

## **(2). Culture**

Culture is long lasting value system which is adopted by a group of people. Various cultures normally behave in similar manners. It is important for the marketers to understand different cultures specifically when they intend to market their products globally. They should be well aware about their norms, values, living standards, and choices. Hence, they will have to segment their market accordingly.

## **(3). Social status**

Every society normally has social classes. Social classes are defined by certain typical behaviors. For example, BMW is targeted to a particular class, Mercedes is targeted to another class and corolla, civic, vitz, swift, and mehran etc. are targeted to other groups. Hence, segmenting the market will help the marketers to easily divide the individuals into groups and then devise marketing strategies accordingly.

**LESSON 5****SEGMENTATION (Cont'd)**

In continuation of the previous lecture, this lecture first of all draws the benefits which a marketer can get from segmentation.

Segmentation helps the marketers to focus on the right target and then offer tailor made positions, product, promotion, and price to that segment.

Segmentation also helps marketers to differentiate their product from the competitors but it will also increase the cost. Why? Because in mass marketing, it is less costly to reach the whole market. The opposite of mass marketing is segmentation marketing, which is more costly. In segmentation marketing, we normally use the concepts of economies of scale. For example, if we have to sell a product to 100 customers, it is less costly to produce 100 units together of same features than the 10 units with different features. However, we can not ignore the huge benefits of segmentations so normally it is the preferred way to go in especially in these days of intense competition.

In previous chapter, we discussed the basis of segmentation including demographic, psychographic, and socio-cultural segmentation. Now we will discuss remaining basis in detail.

**4. Psychographic segmentation**

Psychographic segmentation is dividing the markets on the bases of interests, activities, opinions, behavioral patterns, habits, lifestyle, and hobbies etc. This type of segmentation plays on the psychology of the potential customers and helps the marketers to determine how to approach the potential customers belonging to particular segment.

It includes the concepts of motivation, learning and perception etc. So, it is important for the marketers to know about the things that really motivate that become the motives for the customer to buy a particular product. Motives are basically the ones which actually push people in to specific behaviors.

Psychographic relates to three things;

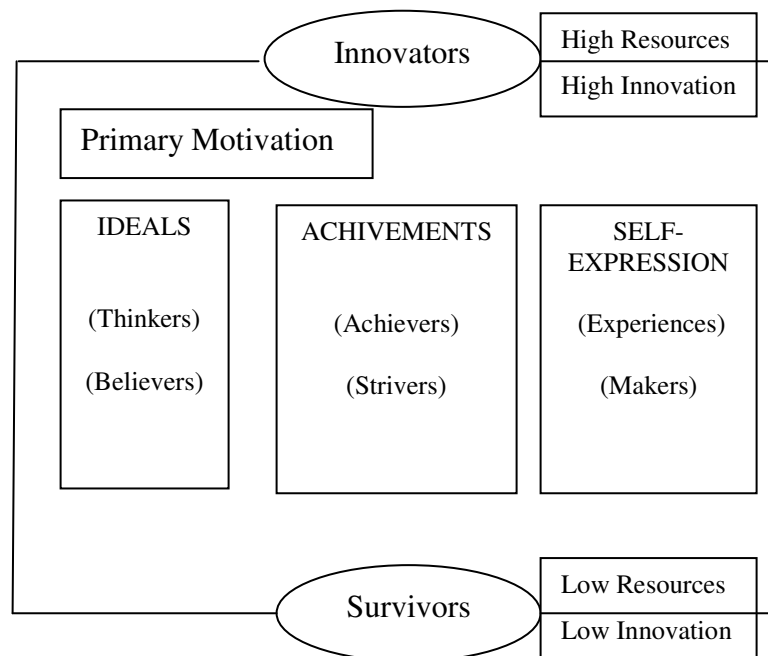
- (a). Activities (different activities in the life)
- (b). Interest (in which type of activities, products and services we are interested in etc)
- (c). Opinion (feelings about any thing like product or service)

This is called AIO model (stands for Activities, Interest, and Opinion Model). AIO model is used to locate messages important for particular segments. It helps marketers to develop approach for promotion like advertising.

For example, if I find a group of people interested in golf, and I want to market my product to this specific category, then I need to choose a magazine which is the interest of this particular group and I will advertise my product in that magazine. Similarly, if I want to sell my products to the customers interested in tourism etc then I need to choose advertising medium through which I can easily reach to these audience. So AIO Model is normally works for advertising, media and type of campaigns used for the promotion of products.

AIO Model is studied through two frameworks;

#### 1. CLAVES Framework



VALVES framework discussed six types of persons who have different characteristics.

The top ones are *innovators* or self-actualizers who have all the resources. So their basic motivation can come from above three points. Therefore these customers are variety seeking and always prefer new products. Hence companies normally prefer to target these customers.

On the lowest side, **survivors**, these people have fewer resources. They are normally motivated by security and fulfilling of basic needs. They normally try to buy on discounts and try to find cheap packages. These are totally opposite to the above people.

So we come up with two groups, high resources persons and less resources persons. High resources normally prefer value; they use logical thinking in purchasing. But these are not brand loyal because they can buy any product, use it and go for the other.

Another important type of groups is **believers**. These types of people avoid changes, they do not indulge in buying new things and these are normally brand loyal.

**Achievers** are more goals oriented. They centered themselves around the family behavior. They want products which are premium in nature. They have abundant resources.

**Strivers** are the ones who enjoy themselves, they are trendy, but due to less resources they buy low price products but they are trying to buy the products similar to the achievers.

**Experiences:** These types of people appreciate the eventual things. They experience new things. They spend lot of money on entertainments and enjoyments.

**Makers:** These types of people are value oriented and practical in their life. They also want to express themselves but on practicality. They prefer value than luxury. More concerned with family and own friends.

## Use Framework

There are three types of users; Heavy users, Medium users and Light users. Research indicates that normally 20% of the population of the segment buys 80% products of a company. Heavy users will buy more products than the light users. Usage conditions and outcomes can be explained through three important concepts: use framework, awareness, and brand loyalty.

(1). *Use framework*

|                  |                                              |                                                    |
|------------------|----------------------------------------------|----------------------------------------------------|
| High             | High-Lows<br>(Try to increase<br>Usage rage) | High - Highs<br>(Retain them)<br>(Make them happy) |
| Current<br>Share | Low-Lows<br>(Ignore them)                    | Low - Highs<br>(Use push strategy)                 |
| Low              |                                              |                                                    |
|                  | Low                                          | High                                               |

(ii). *Awareness concept.*

In certain cases, we can study the people on the basis who are aware of our product and the group who are not aware of our product. And normally those will buy who are actually aware of the brand. Logic suggests that high aware brands will be more strong in the market. This will lead to the brand equity concept which means who strong your brand is in the market.

(iii). *Brand loyalty concept*

It suggests repeat purchase behavior. Every company normally tries to achieve this concept. It is important for the marketers to know who are more aware and who are not loyal. Brand loyalty is the goal of every marketer. Low brand loyalty suggests switching behavior. If there is quality product, the that product is more amenable to achieve brand loyalty. Now we would like to highlight a good area of segment as follows;

**What is a good segment?**

A good segment is logically the one

- (1). which can be identified (can segment easily be identified)
- (2). It should be measurable (can we define its boundaries, can we forecast demand)
- (3). It is should be accessible (Can we reach the segment easily either through media or delivery processes)
- (4). It should be substantial (is it sizeable/enough to target. If too small, then cost will be high)

(5). It should be actionable (if there is no responsiveness, then it is not the particular segment to be targeted. whatever offer we have, there should be substantial responses coming to the offer).

This discussion actually established a framework for us to know which particular segment is important for us to target.

### **How segmentation can be done?**

Marketers must decide about;

- Price – Quality
- Use Location
- Kind of Location (Is it business center, tourism places, conferences etc).

Keeping the above points in mind, marketers can develop a segmentation framework.

### **Some related concepts**

- Mass marketing (one product is applicable to the whole market)
- Segmental marketing (mid point between mass marketing and individual marketing. Here you have been able to differentiate the product on the basis of certain features and grounds).
- Niche marketing (very narrow kind of market. Here demand is very little)
- Line marketing (e.g. banks, McDonalds)
- Individual marketing (it is more customized marketing where every individual is considered as a single segment and each one is targeted individually)

## LESSON 6

## TARGET MARKET AND MOTIVATION

**Psychological Factors (Motivation)**

Before we start motivation, we would like to recapitulate some important concepts for segmentations and how these bases can be used. Since we decide segmentation first and then move to the target marketing. So, here we would like to discuss little bit about target marketing.

**Criteria for selecting target market**

1. **Identified:** We should be very clear to identify the particular characteristics of the segment which will be used for the purpose of marketing, positioning and strategy. For example, it is easy to develop/ identify characteristics like demographics; male, female, students, businessman, age group etc. Same is the case with geographic but problem comes in when you are looking for psychographic like values, attitudes and life styles. Such characteristics are more difficult to identify. Another thing that is important in targeting is whatever target you choose, you should have a characteristic which can be identified and can be used for positioning strategy.
2. **Sufficient:** The target that you will choose should be *sufficient* in terms of number of people. You should be able to identify a large number of customers and enough demand so that it is profitable for the company.
3. **Reachable:** Segment should be reachable. For example, there is a demand in Gilgit but if you can not approach them then it means your segment is not profitable.
4. **Stable:** Segment should be stable and should stay for a number of periods longer duration. This type of segment will be more rationale to target.

**Implementing Segmentation Strategies**

There are three types of strategies:

1. Concentrated strategy: This suggests that we select design only one product for market. We target only for this product. Company which has less resources normally focus on this type of strategy.

2. ***Differentiation Strategy:*** In this type of strategy, company normally target more than one segment at the same time. We must understand that company should consider two things; External environment and internal environment. If company has enough resources then they can easily go for differentiation strategy. For example, Procter & Gamble has number of products in its portfolio.
3. ***Counter Segmentation Strategy:*** Combine the segments. There is a possibility that over a period of time, different things normally vanish from the segments and segments become similar. Hence, we combine the segment because each segment is so small that is difficult to target each individual. For example, universities. In the initial stages, they separate the courses but in senior classes they combine the classes.

## **Internal factors which are critical in developing strategy**

### **Resource Based View (RBV)**

Researchers have suggested that most of the strategies can be developed into two frameworks. (a). One frame is to look at external market and then develop your own strategy. (b). Second frame is to see your internal strengths and then devise strategies. Here, companies should analyze whether they are capable to meet the requirements of the segment. Here, the concept of Resource Based View comes into play.

Resource based view suggests that companies have their own internal strengths which differ from other companies. And it is these strengths that apply in the market and bring differentiation. Company should be financially strong, should be able to research the channel of distribution and have strong marketing capabilities. Normally, it is compared with the competitors.

### **Motivation**

Before moving to motivation, let us have a deep knowledge of need and want.

### Concept of Need and Want

Needs are critical points that organizations are focusing. Research suggests that companies can understand the needs of the customers in a better manner than the competitors and they are better able to provide the products accordingly.

Need is the internal factor which pushes a person to behave in a particular manner. Therefore, companies try to understand these needs which can motivate the persons to behave in a particular manner. So that person is satisfied and can achieve a particular goal. To more clarify this concept, we discuss the concept of market orientation.

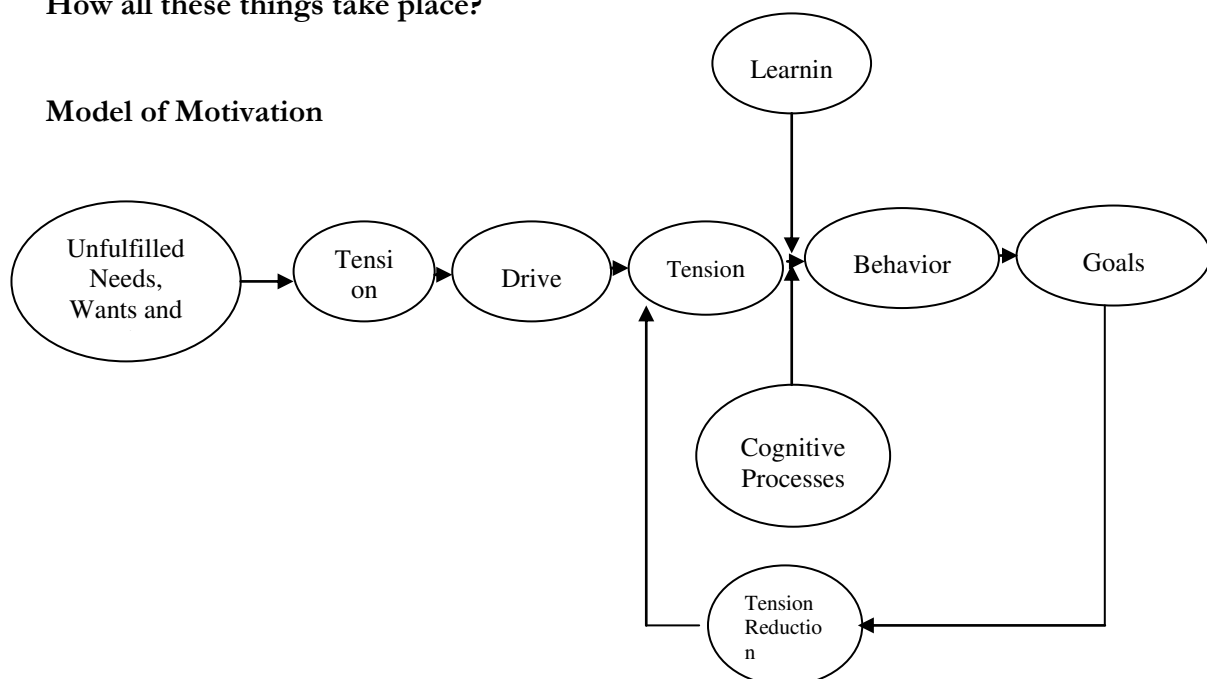
### Market Orientation

It is the logic behind the companies' strategies that they are more competitive than their competitors. Hence, it is described that a firm which is more market oriented is in a better position to satisfy the needs. So, companies should be more market oriented in order to easily understand the needs and then devise strategies to satisfy them. Having said that, let us see the concept of motivation.

So now we define motivation as "A motive is a construct representing an unobservable force within individuals that stimulates a desire and compels a response providing specific direction to action". It is the force that drives a person to buy and use the product, and satisfy the need.

### How all these things take place?

#### Model of Motivation



The important variables of the above model are as follows;

***Cognitive Processes:*** It is recognition of something. E.g. if we need toothpaste, then cognition will tell us the available number of brands.

***Learning:*** It is something we want to know about that. These two things lead us to the behavior. Behavior is choice that we make in terms of buying or using the kind of product.

***Needs and Wants:*** Most marketers want to use needs and wants simultaneously. We should recognize that needs exists in ourselves, however, needs can be converted into wants and marketers create this. For example, if we are hungry, it is up to us that we want to go for McDonalds, or some continental restaurants. Hence, we conclude that need is internal and consumer oriented and want is external and product oriented.

Therefore, marketers differentiate various types of needs.

### 1. Biogenic

- Innate needs or primary needs
- For example, food, water, sleeps. These are inherent needs and can't be inherited/ acquired .

### 2. Psychological Motives

- Acquired needs or secondary needs
- For example, we have learnt from our environment

***Goals:*** Goals are the end of your need or want satisfying behavior. There are different types of goals. E.g.

#### 1. Generic Goals

When you want to satisfy like hunger and no more hunger. For example you have done MBA that is generic goals

2. *Product specific goals.*

For example, you want to join Virtual University after getting your MBA degree.

Hence, your goal is product specific.

3. *Promotional Goals.*

For example, we want promotion

4. *Prevention Goals*

For example, we avoid using motorcycle because this is not a secure conveyance considered a safe vehicle for travelling.

## Types of motivation

There are two types of motivation.

- a. ***Positive motivation*** (positive desires, needs, wants) and ***Negative motivation*** (fear, security, safety)
- b. ***Rational Motivation*** (outcomes of economics, all decisions taken are rational oriented have a rational behind, e.g. buy a mobile phone which is cheap and of good quality) and ***Emotional motivation*** (some decisions are emotional, e.g. if my teacher has a particular cell phone model, and student go to the market and buy the same type of cell phone, then this decision is basically emotional).

## Dynamics of needs

- a. Need never fully satisfied.
- b. Needs change
- c. Success and failure influence needs
- d. Substitute goals
- e. Frustration
- f. Defense mechanism

## Maslow's hierarchy of needs



Detail of each step is as follows:

### *Psychological Needs*

It is the basic requirement to live.

### *Safety Needs*

When first need is satisfied, then people start looking for safety and protection.

### *Social Needs*

People tend to come together to satisfy their need of getting belonged to other people. At this stage, people start communication and building relationships.

### *Self Esteem*

Here, people started feeling that they are better than others so they started dividing into tribes. People tend to become chiefs of the tribes. So, ego comes in to play. They consider that they are better than the others.

***Self Actualization***

People want to do something because they have strong internal drive to achieve something. It is the highest level of need which motivates people to act for their own personal and internal motives. For example, Sir Edmund Hillary of New Zealand climbed to the Mount Everest for first time not to show others but he was having internal desire to do something.

According to the Maslow, each need has to be satisfied before you move to the other. Other scholars say that in practical life, people can move directly to the high level need even without satisfying the lower level needs. Hence, a criticism on MASLOW'S HIERARCHY OF NEEDS is that needs can't be in sequence. People can move to any level at any stage.

## LESSON 7

## MOTIVATION (Cont'd)

**Psychological Factors (Motivation) - Continued**

Let us recapitulate the concept of needs defined in previous lecture. The model of Maslow's Hierarchy looks like mutually exclusive. But Maslow said that these needs can never be satisfied completely and he said that there will be one need which will dominate the person at a particular point in time. When lower level need is satisfied, then the higher level need is activate. If a need is never satisfied then which need should be targeted? So, it is the responsibility of the marketers to identify. But practically examples exist that many people directly moved the higher level need.

**Marketing implications of these needs**

Maslow's Hierarchy of Needs is used by the marketers for their promotional campaigns. Let us interpret these needs through practical examples:

For example insurance – is a **safety need** because we want to save ourselves. Similarly, in case of health and food, marketers promote good healthy food which is to satisfy safety needs. Some companies use this need in their advertising. For example, VOLVO saying that “It is the safest car”. BMW “Be ultimate driving machine” it is more ego oriented need.

Similarly, Toothpaste, recall the advertisement where a person hits the six in a wicket field and he raises his hands with the bat and the fielders all around him drop and faint. This depicts social behavior. This is social need.

Other than this, there are so many needs which have been researched. For example,

- Need for power
- Need for affiliation
- Need for achievement

All these needs can still be directly related to Maslow's Hierarchy. For example;

**Need for power** suggests a desire of an individual to control his environment. It relates to the Maslow's need of ego or self esteem.

**Need of affiliation** where you want to directly associate with people. When we compare it to the Maslow's Hierarchy, it relates directly to the social need.

***Need for achievement*** people who possess this need are normally more into their self and this need directly relate to the self-actualization as well as self esteem.

Therefore, marketers use these concepts in their marketing strategies.

### **Implications in Marketing.**

These needs are used in the marketing to develop promotional messages and segmentation. Because every person is different from other so we need to understand the characteristics which are common and then we need to group them together and target accordingly. Let us take a practical example to understand the implications of needs in marketing.

Four people in the same company have applied for a loan. This indicates their behavior to get the money. But there must be some motivation for this specific behavior.

For example, one person applied for loan because he wants to pay fee of his child studying in a good school.

Second person is interested to buy new clothes; third person is interested in his sister's wedding and the last person has applied for loan because he wants to go for safari tour.

#### ***1<sup>st</sup> person: Loan for fee of his child***

It could be possible that he has social need. He might want to send his child in a particular school because his other friends are sending their children in that school. On the other side, it is also possible that he is much worry about his future so he wants his son to study in a good school for the bright future. If he is involved in this behavior, then he is satisfying his safety need. Suppose he want to impress his colleagues, his friends and his family that my son is in a high level school, so he is most probably involved in self-esteem.

#### ***2nd Person: Loan for Clothes***

It looks like that he is involved in social need but if he is buying the clothes so that he may prove that he is better than his colleagues. So this behavior shows that he is involved in self-esteem. Let us assume that he wants to buy new clothes because he is thinking that if he will not wear new

clothes, he will be rejected / ignored by the people around him – he may be operating at safety level needs.

***3rd Person: Loan for Sister's wedding***

Logic tells us that he wants to have get together – then he is involved in social need but if he wants to impress other people than he is involved in self-esteem.

***4th Person: Loan for Tour***

If he wants to go alone, then he is operating self-actualization. But if he wants to go with friends then he is satisfying his social need.

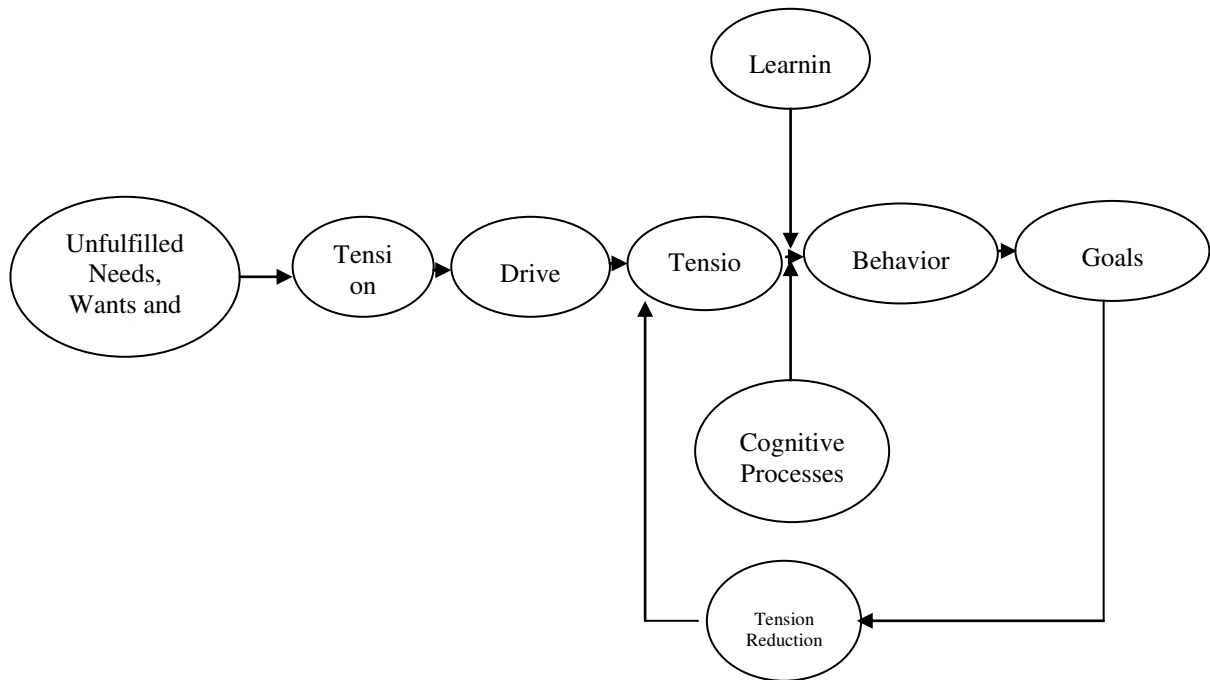
Concluding this, it is stated that identification of needs is very important for the marketers so that they can devise promotional strategies accordingly and can be able to understand this and apply these needs for the segmentation.

## **Motivation Research**

Started from German Psychologist Sigmund Freud who actually started talking about people, not been able to understand their personal needs or their own personal motivation and he wants to discuss why a person wants to behave in a particular manner. That means people operating in a social sector were mentally disturbed. And in this behavior they were trying to understand why a person behaves in a particular manner and at that time Sigmund Freud researched and argued that people even don't know why they behave in a particular manner because there are certain factors which influence them. As this was true, people adopted it and it was widely used. But there is a little problem because this research was totally incorporated into the marketing context.

In marketing, research was clinical where researchers tend to find out the problems of the customers at service points who are actually suffering from the problem. Therefore, it is very difficult to suggest that whatever was done and researched at that point of time could immediately brought to position in marketing. So, we need to be very careful in understanding the behaviors of the customers. We can not generalize this research in our culture because here the context is different. Also, this research on motivation is qualitative, so it is not generalized in other context.

Now let us to go back to the motivational model:



Let us replace two learning and cognitive processes which are very broad in scope with three concepts which are specific:

1. Ability
2. Opportunity
3. Risk

### 1. Ability

Company should have an ability to provide the products according to the needs of the customers.

### 2. Opportunity

If people don't have an opportunity to buy a product then it will be a problem for the customer. E.g. if you want to buy a luxury car and that is not permitted by the Government then you or the marketer will miss this opportunity.

### 3. Risk factors which impact motivation.

There are six risk factors:

- a. Functional risk
- b. Physical risk
- c. Financial risk
- d. Social risk
- e. Psychological risk
- f. Time risk

**a. Functional risk**

This risk is related to the characteristics of the product.

**b. Physical risk**

The risk associated with me or the people around me. For example, people say that extensive use of cell phone cause brain tumor. If it is true, then it will be a physical risk. Similarly, cigarette.

**c. Financial Risk**

Suppose I pay price for the product. There is a risk that if after six months new model of the product is launched, then the value of the product that I have will be lowered.

**d. Social risk**

More conscious about the social behaviors. For example, will people appreciated me using this product or will laugh at that.

**e. Psychological risk**

It is the internal fear that I have about the failure of product and service. Even though there is a guarantee but still I am worried.

**e. Time Risk**

It relates to the time I have invested in searching a product. Risk is there in terms of time consumption.

Risk is high in services than products because we can return the products or get it repaired but not services. As services are intangible and we normally consume it at the point of purchase.

## **Reduce Risk**

### **1. Seek Information**

Customer can search the required information so that they may not face problem in the future. Marketer's job is also to provide the complete information of the products and services so that they should be safe.

### **2. Become Brand Loyal**

Relates to experience

### **3. Brand Image**

If there is no experience, then consumers always try to choose the product that has high brand image in the market.

### **4. Repeatable retail Outlet**

A retail outlet that has good image, consumers always try to go there and buy products repeatedly from that outlet.

### **5. Expensive Product**

Consumer will try and buy a product which is expensive because consumers generally think that a product which is more expensive will be of high quality even without any experience in the past.

### **6. Reassurance**

Consumers sometimes seek reassurance from either the seller or the people around them. For example, you bought an expensive product; there is sometime a card inside the packaging which says that you have made a good choice etc.

Given these factors, we will be able to determine what the motivating factors are and how we can satisfy our segments.

**LESSON 8****PERSONALITY**

Personality has been studied for a long time with an assumption that people buy products which fit their personalities. Therefore, marketers tend to use personality not only for the promotion of their products but also try to produce products which fit into their personality. For example, the advertisement of Harley Davidson where the punch line is that God created us equal but it is up to us to be different. They were trying to promote the personality of innovativeness or individuality as a person who is totally different would like to do it differently. When you observe in the society, people tend to show their personality in every day activities because they have some personality traits. Trait is particular characteristic through which we can judge a person. So, marketers need to understand the personality traits. Researchers found that there are two important components which impact on individual's personality.

1. Hereditary (the characteristics which are inherited from the parents)
2. Social frame (the characteristics which are derived from social trends)

Some schools of thought say that personality can't be changed. But others argue that it can be changed. Marketers' task is to pick specific personality traits from the individuals and make the segments on the basis of same characteristics.

**Personality:**

Personality is individuals' inner characteristics – those specific qualities, attributes, traits, factors, and mannerisms that distinguish one individual from others. This is personality trait. When we observe different groups, the people are different in their personalities but some of the traits are normally common between the individuals.

**Nature of Personality**

There are three important properties / factors;

1. Personality reflects individual differences
2. Personality is consistent and enduring
3. Personality can change.

### 1. Personality reflects individual differences

There are individual differences in the personalities and finding out these differences will help marketers to target the segments accordingly. For example: High risk takers are more inclined to experience different things than low risk takers. So, marketers can devise their strategies by considering these traits.

### 2. Personality is consistent and enduring

Other school of thoughts advocates that there is continuity in the personalities.

### 3. Personality can change.

Personality does not change in norm but certain environmental conditions change the people. E.g. marriage, when we move from bachelorhood to married life, gradually he/she changes his/her personality.

Others thought says that people change their personality with the changes in their phases of life. E.g. student life to practical life.

Other thought is certain gender differences do matter in the changing of personalities. E.g. a woman who is working has similar traits like men while making decision so certain factors will be different and others will be same.

## Theories of Personality

### - Freudian Theory

There are three features of this theory.

- (a). Id
- (b). Super ego
- (c). Ego

#### ***(a). id***

He suggested that it is the intuitive of instinctive behavior that people demonstrate and that instinctive behavior is totally out of control.

**(b). Super ego**

A force which is operating inside the human beings and is related to the norms, the values and the customs which the person understands to be in the environment.

So the distinction between the two is to see what the requirement of the social class is and how this controls the individual behavior.

**(c). Ego**

It is the mature part of the human being which tends to balance the requirement of id and also super ego. It is the balancing point achieved from education, experience and this ego work between the two to balance the life.

This theory is qualitative in nature; hence, it can not be generalized.

**(2). Neo- Freudian Theory**

Some other researchers have indices and inventories and they try to use statistical analysis to investigate the personality traits. Alfred explained the following traits.

- a. Complaint Individuals
- b. Aggressive individuals
- c. Detached Individuals

**a. Complaint Individuals**

E.g. I want to use that what others are using.

**b. Aggressiveness Individuals**

This depicts aggressiveness in behaviors. For example, I don't want to wear what others are wearing.

**c. Detached Individuals**

These are ones who doesn't bother about others. These are living in their own.

**(3). Trait Theory**

Trait is a single characteristic which relates to individual. There are few types of traits which are measured as follows;

- a. Consumer Innovativeness
- b. Consumer Materialism
- c. Consumer Ethnocentrism

**a. Consumer Innovativeness**

This tends to suggest the behavior of being the first or being last to purchase a product.

**b. Consumer Materialism**

This tends to consumption behavior. Some people tend to accumulate behavior and some people tend to not bother about that.

**c. Consumer Ethnocentrism**

It suggests that what inclined us to buy a particular product from particular nation. So it is more related to where the product is made.

## **Consumer Innovativeness**

- 1. Dogmatism
- 2. Social Character
- 3. Need for Uniqueness
- 4. Optimum Stimulation Level
- 5. Variety - Novelty Seeking Behavior

**1. Dogmatism**

Dogmatism is a personality trait that measures the degree of rigidity and individual displays towards the unfamiliar and towards information that is contrary to their established beliefs.

People who are dogmatic will always try to avoid any new information which will disturb them. On the other side, people who are non-dogmatic are more likely to prefer innovative products to established ones.

**2. Social Character**

Researchers came up with a conclusion that there are two types of person's which are as follows:

**a. *Inner Directed***

This type of person prefers ads stressing product features and personal benefits.

***b. Other Directed***

They prefer ads that feature social environment and social acceptance.

**3. Need for Uniqueness**

It is a trait which tends to state that a person is trying to stand out the crowd. They want to be unique and are not willing to buy things that are normally used by others.

**4. Optimum Stimulation Level (OSL)**

OSL scores also seem to reflect a person's desired level of lifestyle stimulation. They tend to behave like more and more sensational. Consumers whose actual lifestyles are equivalent to their OSL scores appear to be quite satisfied. Those whose lifestyles are under stimulated are likely to be bored. Those whose lifestyles are over stimulated are likely to seek rest or relief. For example, travel promotion.

**5. Variety - Novelty Seeking Behavior**

People who buy things because they want to keep changing and experiencing new things, not because they really want them. There are three types of purchase behavior.

- a. Exploratory purchase behavior
- b. Vicarious exploration
- c. Use innovativeness

***a. Exploratory purchase behavior***

It tends to suggest that a person wants to explore new products and buy new brands.

***b. Vicarious exploration***

Here people tend to deliberately do/ purchase it because of a need to acquire things. They do it even though they may not require so that they can show people, they should have new things.

***c. Use innovativeness***

Where people tend to increase number of things they can do with the same product. For example, Hi-tech products where they want to use same product for a number of benefits.

## LESSON 9

## PERSONALITY (CONT'D)

In continuation of the previous lecture, we would like to discuss the remaining important concepts of personality. First of all, we would like to discuss the types of personality based on consumption.

**Types of personality based on consumption:*****1. Materialistic Consumption***

Actually there are certain societies which promote materialistic approach/ materialism and some are against this concept. Basic concept is passion where people tend to buy things because they want to own things. For example, they do not get specific benefits from it but prefer to go for that specific product due to society. Marketers have used this to convince people to consume more. It can be in terms of increasing the size of packages, increasing/ creating something larger, but basic motive behind this concept is to convince people to possess/use/consume more and more from of the same product. Other relevant concept used is penetration, where marketers convince the buyers to consume/ use more of a particular product. that this specific product can be used more in larger quantities. So materialism has that impact. Also remember that this concept varies from country to country and culture to culture but it has an impact on marketing. It is basically related to possession and it tells people the more you possess, the more you are in terms of your status in the society. It has been researched that materialism is stronger in USA than Mexico.

***2. Fixated Consumers***

These kinds of personalities are acceptable. For example, consumer becomes totally focused on their choice. For example, people have hobbies of collecting tickets, those who are fixed to this hobby; they will not be bothered concerned about how much time and efforts they are exerting to collect tickets.

***3. Obsessive / Compulsive Consumers***

This is something negative. Obsessive consumers are addicted to something and this habit can be a dangerous which may harm them and society.

## **Ethnocentrism**

This research suggests that some people prefer and buy products based on the country of origin. They tend to start associating the quality of products with the country. For example, Japanese products are considered better as compared to Chinese products.

These were the human personality traits which marketers need to keep in mind while devising marketing strategies. Now we are moving to the other concepts of personality.

## **Brand Personality**

People tend to related brands with certain personality traits. Because the brands are something which we can't express emotionally, hence, consumers ascribe various descriptive "personality-like" traits or characteristics to brand. For example, Levi's which is considered to be very tough so the personality trait is rugged. Hence Levi's is considered as ruggedness. Marketers' logic behind brand personality is that they believe if they can relate some personality traits to the brand then those people who have that specific trait would tend to buy that product more easily. In addition to the functional characteristics, people also relate the personality with symbolic characteristics. For example, Mr. Cod – looks like a male characteristics which indicate that this will be stronger, courageous etc.

Research says that when there is a strong brand personality which has been developed, the tendency is that it will strengthen a brand and increase brand equity.

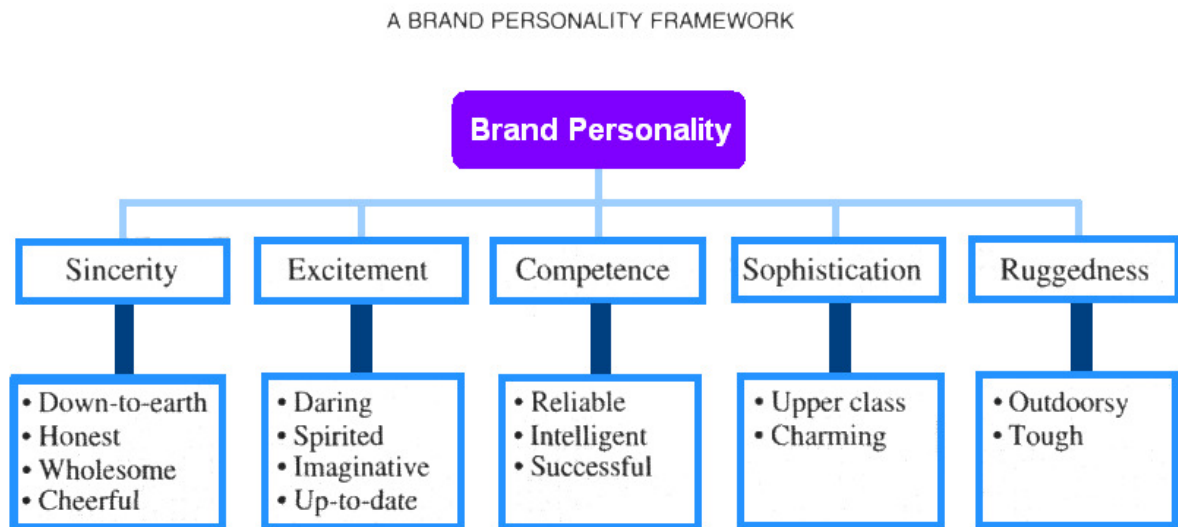
Brand Equity is a specific concept which suggests that the value which a company gain due to the brand name. For example, if you want to check brand equity, just take a same product without any specific name. On the other side, use same product, put a name on it and then see what person will be willing to pay to that brand. The price which a customer is ready to pay for this brand now is the brand equity.

For example, few years back, it was reported in a research that the total assets of Coca-Cola was USD. 4.5 billion and the value of Coca-Cola was USD. 65 Billion if any one wanted to buy this company. This high price is the brand equity.

So brand persona or brand personality is some thing to be a creative art. Where marketers crease a fixture around a brand so that it can be easily recalled and be preferred. For example, Chinese tend to consider Tea as a feminine where as coffee as male. So these type of associations are something the characteristics of brand personality.

## Brand Personality Framework

Jennifer Aaker come to the conclusion that there are five human characteristics which people normally tend to associate with product.



These characteristics are normally used in the advertising for example DHL – is considered as dependable; Levi's – is considered as Ruggedness; Dalda – is considered as Sincere; Mountain Dew – is considered as Adventures. Further to this, another important concept come is brand community:

## Brand Community

It is when people become very strongly associated with some brand to become a community. For example, Harley David Son is very strong brand who joined together with the society and they tend to convert the brand into brand community. And the person who is the member of brand community normally promotes the brand to others. Now it is important to see that how these branding concepts can be associated with number of other factors.

## Product Personality and Gender

Some brands are considered male and others considered as female. So marketers tried to associate the brands with gender.

### Product Personality and Colors

Brands sometimes associated with colors. For example; Blue color is considered as an authority. Black is considered as sophistication. E.g. Haynes Company of USA conducted a research on Ketchup and found that children like green colors so they started producing Ketchup in green color.

### Product Personality and Geography

For example, Peshawari chapel Kabab, Karachi Biryani etc are the specific connotations which people use and always prefer as they associate these brands with particular area. So these are some important areas which normally used in the marketing.

Similarly there are other concepts like:

### Self and Self Image

How do you see you're self? Self image and personality are very close factors. So there are some important concepts of self:

- a. ***Actual self-image*** – how do I perceive myself actually? How consumers see themselves
- b. ***Ideal self-image*** – how consumers would like to see themselves.
- c. ***Social perspective-image*** – how consumers feel others see them
- d. ***Ideal Social Self-image***: How consumers would like others to see them

Let us recall the social framework of personally where it was suggested that there are two types of persons.

### Social Characters

#### ***Inner Directed***

Consumers who prefer ads stressing products features and personal benefits. These people don't care about others. They live on their own.

***Outer Directed***

They prefer ads that feature social environment and social acceptance. So the person who wants to see himself is an inner directed person and the person who wants others to see him is outer directed person. Hence self becomes an important component in marketing. Research also stated that self can be extended. So we need to discuss the extended self.

**Self Image*****Extended self***

This relate to the possessions in which we use these concepts to project our self externally. This is called extended self. There are multiple self and each one is related to a particular area. Marketers need to understand how every individual during their life behave and what their image are and how that can be projected and or extended by the possession that a person have.

***Expected Self Image***

How consumers expect to see themselves at some specified future time

***“Ought-to” Self Image (It means how we should be...)***

Traits or characteristics that an individual believes it is his or her duty or obligation to possess.

***How self image is made***

As every individual believes that they have unique self image, and normally they associate themselves with a particular image which is normally unique. So they normally try to choose things which fit-in to their personalities.

## LESSON 10

## PERCEPTION

Just to recapitulate the previous lecture, we highlight the important concepts first before moving to the perception. As we have discussed possession, so the question arises:

**How do people possess things and why do they possess things?**

Here we will be discussing the reasons of possessions.

- *Extended personality*

It can give us a reach to others. E.g. I have a computer because as I need to conduct research. So possessing a computer needs a particular medium

- *Symbolic*

For example, a person has been serving a company for last 10 years. Company gave him a particular memento. So, he will possess this as a symbol.

- *Belongingness*

People possess things which belong to their forefathers and they are very proud to keep those.

- *Feelings*

Certain things are possessed as emotions. E.g. a mother gives any thing to his son and he possesses it because this is his particular feelings for the mother.

Some personalities tend to have long term implications but they do change and it can be done through planned process or it happens all of a sudden. There are two types of groups. One is called low monitoring group and the other is high monitoring group.

- Low self-monitors are individuals who are typically guided by their inner feelings. They don't bother about bringing changing.

- High self-monitors claim that they act differently in different situations and with different people. These types of people change their personalities and change their moods in different occasion.

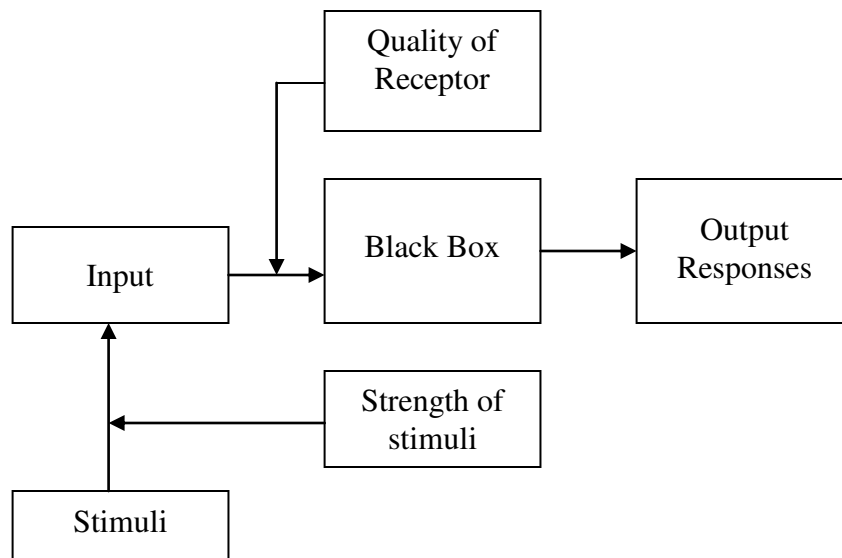
To link these concepts we need to recapitulate the previous lecture. E.g. self-esteem: there is a direct link of self esteem with possession.

## PERCEPTIONS

To understand perception first we need to understand the true reality, the objective reality. Objective

Perceptions are related to our past experiences. For example, smell has strong association with the memories. For example, on shops where there is good smell, people tend to stay more and buy more.

Perception is a process by which individual selects, organizes and interprets stimuli into coherent picture of the world. Stimuli are any messages which will trigger us a response. So stimuli are a kind of cues, or indicator. There are number of important concepts in perception. The most important is sensory systems. Let us have a deep look on the model;



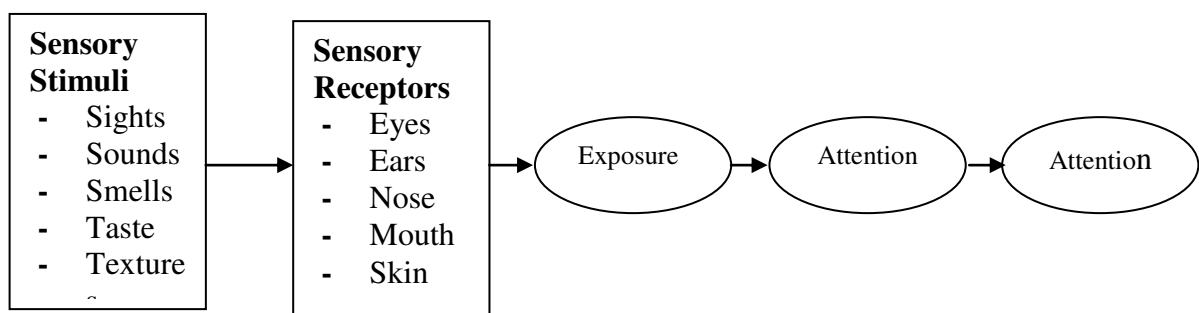
## RECEPTORS

The receptors which we have are the ears, eyes, nose which are used to touch, see, feel and smell things.

Any stimulus sent is received by us but it depends on the strengths of the stimuli which will bring information to the **BLACK BOX**. For example, if some body has a bad vision, he may not be able to see product at a distance but a person with a sharp eyes can see it. Similarly, some people can smell the things easily. This part is not under the control of marketers because it all depends on the sensory perceptions of individuals. But the other part STRENGTH OF STIMULI is under the control of the marketers. Stimuli sometimes can go very high and sometimes it goes low. For example, you have a page that is red in color but there is a small box with white color. Logic suggests that immediate attention will be dropped to that specific point. This is the reason that companies place their advertisements in the newspapers with different colors and with big sizes so that immediate attention of customers can be drawn.

Although these are very good techniques for promotion but sometimes customers feel it negative. For example; in case of television advertisements, if same ad is played again and again, then customers will be bored to watch that so they don't pay much attention to such advertisements. So positioning of the advertisements is very important.

Below diagram depicts the perceptual process;



## EXPOSURE

Exposure occurs when a stimulus comes within the range of someone's sensory receptors (Solomon, 2003).

### **Sensory Thresholds**

People having good sensory channels are better able to pick up sensory information than those whose sensory channels are impaired by disabilities. There are certain concepts which are important to understand and are as follows:

#### ***Absolute Threshold***

According to Solomon (2003), absolute threshold refers to “the minimum amount of stimulation that can be detected on a given sensory channel”. It is that point where people become aware of the change of those stimuli. For example, you are driving and you observe that there are billboards on both sides of the road as far as you can see. After travelling a kilometer, you noticed that suddenly there was no billboard. Now you will intentionally try to locate another billboard. This is called the absolute threshold logic. Research suggests that every individual has different level of absolute threshold. Some people have high level of threshold and intensity to bring change but some people have it at different levels. So marketers need to understand all these pros and cons of advertisements and should float them accordingly so that customers can willingly watch them.

#### **Justice Noticeable Difference (JND)**

The difference between two stimuli that is detected as often as it is undetected. Say for instance, in a number of similar billboards, one is empty. So it can be easily noticed. For example, a company is producing silver shine polish and the polish remains till 20 days. Now they can improve the product so that it may last for 25 days or 30 days. By increasing the quality, the price will obviously increase. So, the question is how much they should increase the quality that can easily meet the win-win situation. According to research, Just Noticeable Difference is 5 days extra. Now if it is 5 days extra that means the quality can be only noticeable by the consumers of the older product if the shine remains for 25 days. But if they increased it to 23 days only, then consumers will fail to observe this improvement. It implies that minimum requirement is to go over at least for 5 days. On the other side, suppose you have increased the price from Rs. 100 to Rs. 110. So people will immediately notice that the price has been increased but if you keep the price let say at Rs. 104 and if quality is improved then customers will easily accept it. So according to the Psychophysicist Ernst Weber, “Stronger the initial stimulus, the greater a change must be for it to be noticed”. This relationship is known as Weber’s Law which is expressed as:

$$K = \Delta i / I$$

Where K = a constant

$\Delta i$  = the minimal change in intensity of the stimulus required to produce a just noticeable difference

I = the intensity of the stimulus where the change occurs.

This formula is normally used to measure JND.

### ***Subliminal Perception***

According to Solomon (2003), “subliminal perception occurs when the stimulus is below the level of the consumer’s awareness”. Scholars have mixed thoughts for the impact of subliminal perception on consumer’s behavior. According to a research which was conducted in USA, two-thirds believe in the existence of subliminal advertising and more than one-half believe that this technique can get them to buy things they do not really want to buy.

### **Attention**

Attention refers to the extent to which processing activity is devoted to a particular stimulus. For example, you are sitting in a class and listening to your professor. All of a sudden you start looking to the wall where a calendar of green color was displayed and you recalled Pakistani flag. So due to one stimuli, your attention has been diverted from Professor to Pakistani flag. And at that specific time, you don’t understand what your Professor is talking about. This is because your brain capacity is limited. Similarly, consumers are put into such kind of situations where their attention is diverted from one ad to other things since they are very selective about things they pay attention to.

### **Interpretation**

Final part of the perceptual process is interpretation which refers to the meaning that we assign to sensory stimuli. For example, two people see the same event, but they interpret it in a different way because they are sensory perceptually different.

Therefore, marketers need to understand the senses of the consumers and then devise strategies accordingly so that they can exactly meet the target audiences.

## LESSON 11

**PERCEPTION (CONT'D)**

Perception is a very important topic because it tells the marketers that what consumers see around them. Before moving to further detail, we being marketers must be aware of the important terms used in the concept of perception:

**Stimulus**

Stimulus is something external that influences an activity. It is something received by the sensory receptors like ears, eyes, nose, mouth and skin which can create response. For example, if you put your hand on a hot plate, you will immediately withdraw it because you will sense the difference. Your reflex will help you do this. These concepts are normally linked with the methods of communications that marketers used for the promotion of products.

**JND (Justice Noticeable Difference)**

JND is the smallest detectable difference between a starting and secondary level of a particular sensory stimulus. When there are a lot of stimuli, people get use-to-it, so they do not notice the difference.

**Subliminal Information**

People tend to notice things without being consciously aware that they are noticing. In our every day activities, we notice different things but we are not aware about them. According to a study conducted at National Institute of Mental Health in 1990, “Subliminal visual stimuli are words or pictures that are presented so as to be unidentifiable to the viewer's conscious perception”. For example, images may be sparked in front of eye too quickly for the conscious mind to catch or notice. Such stimuli can, however, exert an effect on judgment and behavior.

**Dynamics of Perception – how does black box operate?**

People receive information in blocks and then interpret the information in their own ways. For example, different people watching same advertisement interpret the information in different ways. Advertisers float lot of information about a product in the advertisements but consumers pick up that information which is relevant to them or of their interest and then perceive the product accordingly. Their sorting of this information normally surround nearby their needs. The

information is sorted normally on the basis of their needs. If they feel that the product can satisfy their needs, then they will buy that product otherwise will start looking for some other. People select those things more which they need more.

If we link this concept to the previous lectures, we argue that marketers must understand needs on the very first stage and then make the segmentation accordingly. This will be the only way to impact on the senses of consumers which we are going to discuss in this lecture. Here are some other concepts which every marketer needs to understand:

a. Selection of:

- Selective Attention
- Selective Perception
- Selective Interpretation / Distortion
- Blocking

- ***Selective Perception***

Selective perception comes from the point that we need to isolate only that information which we like to have. And this kind of work is done by our own sub-consciousness that we are trying to perceive a particular idea or message.

- **Selective Interpretation / Distortion**

Similarly, consumers normally interpret the information by their own way. And they try to distort the information for their own benefits. E.g. some thing that does not suit you, you want to block it off, but if the information is coming in again, then you will most probably interpret the information similar according to your own value system. Sometimes it happens that you receive the message from external stimuli and you change/interpret the message according to your own value system. E.g. marketers sent a written message, since people can't interact to the marketers so they will change the implications of the message to meet their own needs.

**b. Organization of message**

It is very important that the information which you receive should be organized in such a way that you it make sense that what is around you. By organizing the information Organization of

information means to collect the important information of your concern and put it into a box to use for the satisfaction of your needs. From the marketer's point of view, there are three important things that need to be considered;

*1. Background / Figure*

Figure is peak point of attention that we want to draw. And background is the one through which we would like to stand against.

*2. Contrast*

Contrast is to make that picture to stand out. E.g. using different colors in an advertisement will attract customers more.

*3. Grouping*

It means how we are grouped together in a scene or a scenario.

The most important part in above discussion is interpretation of the information. So let us discuss it in detail:

### **Interpretation / Distortion**

Interpretation of the information is related to our own personal experiences. There are certain important factors in interpretation:

*a. Physical Appearance*

Let us suppose a person went to Switzerland, he comes in and traveling to the north. He will try to associate the same picture that he has seen to the one that experienced in the past. This is because people tend to compare the characteristics in the things with others. Since appearances are critical, we try to associate the features of products with the others and then rate the products accordingly.

*b. Stereotyping*

Stereotype is a belief about specific social group of types of individuals. For example, you might have listened to someone passing comment on other that he is looking like a manager. Why the person is associating the other with manager? Reason is manager becomes a stereotype and

anybody who fit into that framework; you will assume him as a manager. The same happened with the advertisements. Let us take an example of the ads of banks which is showing a man wearing three piece suits carrying bag and going to office. So actually they try to relate it to a manager which is stereotyping.

*c. First Impression (First impression is the last impression)*

This concept has strong implications in the marketing. If you could be able to impress the customers in a first stage, it will create a positive impression for all the time on the senses of consumers. So for marketers, it is very important to be very careful while designing marketing strategies.

*d. Halo Effect*

Halo effect is a cognitive bias in which perception of one trait is influenced by the perception of another trait of that person. We see one characteristic in an individual and on the basis of that we conclude the whole. It is difficult for a person to observe all the characteristics at a single point, so normally he pick up the important characteristic and generalize it as a whole.

*e. Jumping to conclusions*

Some people conclude the things immediately without knowing the full information. For example, if a product has high price, so normally people consider it as a high quality product even without experiencing it.

Since marketers job is to satisfy the needs of customers, so they have to go through all the steps necessary to reach this specific goal. Hence, they must be aware of all these concepts and then devise marketing strategies accordingly.

## LESSON 12

## PRODUCT POSITIONING

**Product Positioning**

Positioning is a method by which a marketer tries to place his product in a favorable position among all the other products that are located and which provide same need specifying features. For example, soap is placed in a big retail shop; nearby there will be many other brands of soap but how your brand is being positioned, how has it been packaged is and how it looks like. There are two important points: one is that positioning is done by the marketers and second is perception that is related to what happened in the minds of the consumers. So unless there is a match between the positioning that marketer is suggesting and the way it is being perceived by the consumer – there will be gap. And this gap will create distractions which may lead to the failure of the product. Therefore, positioning becomes an important concept to understand and conceptualize. Now, it is important for the marketers to understand the methods of positioning, how to position the product and what is the significance of the positioning?

***How a product is positioned?***

Two areas are important to be considered:

a. Offering a feature

For example, if we are selling an air conditioner, we can position it as ‘this air conditioner can cool the room up to 16 °C’. So this is the feature of our product which we are offering.

b. Offering a benefit

The benefit in our above quoted example is that this air conditioner will provide you comfort. Important point to be noted here is that two products (of different manufacturers) can provide the same feature then how to differentiate it? So you can differentiate your product by providing unique benefit. Benefit can be one about which your target customer is aware or unaware. So you can create awareness to give him more satisfaction. For example, Sting Energy Drink – they have positioned themselves as energy booster; Mountain dew positioned them as thrill. Another example in which the brand actually challenged competitors is of 7Up. While offering a feature they offered:

- it's uncola
- never had it

- never will

So its *uncola* stated that others are cola drinks and this one is the only providing uncola. Their never statement indicate that neither the uncola was before nor will it be in future. So 7up is directly hitting the competitors.

Another example is of *Hertz* which is a car rental company whose statement is *no – it's not that*.

So here they wanted to show that they are different from others and if any one wants to provide similar service, they can not provide. *Hertz* is considered as number one rental company. On the other side, its competitors are *AVIS* whose statement is '*we try harder*'. These examples show that the brands have focused on the features option and positioned themselves accordingly.

On the other side, is positioning on the basis of BENEFIT. Let us take an example of Maxwell House Coffee whose positioning statement is '*good to the last drop*'. They are trying to provide benefit to the consumers in terms of taste that remains till the last drop.

In the same situation, another strategy could be:

### **Multi Positioning Strategy**

It would suggest that in a number of segments, same product is positioned but in all of them with different positioning strategies. This strategy sometimes confuses the customers because it is difficult for them to differentiate. So marketers can use number of approaches. They can be direct one to one through websites, they can sell through retailers, and they can also sell through whole sellers. So being marketers, we must be careful in devising strategies as the strategy which is used for one segment may be different from that of the other.

### **Umbrella Positioning Strategy**

This suggests that there is one overall brand and under that you can sell number of other brands. For example, Engro Group and under the umbrella of Engro Group, there are number of brand like Oplers, Omore and Engro fertilizer etc.

### **Re-Positioning Strategy**

Sometimes marketers need to go for re-positioning strategy due to number of reasons:

- *Original position is a mistake*

The first position which marketers took may not be successful. It means that they tried to position in the mind of consumers but due to any reason that failed. For example, you took a positioning strategy for general public but that was actually for Niche market. You tried to position your product for general public but it was actually suitable for niche market.

- *For premium price*

There is direct link in the minds of consumers regarding price and quality. and the price which they expect from the product. Two points are important here, among them one is if there is a reference point which is internal or external. So he will normally compare the referent point price with the actual price and will make the assumption accordingly. For example,

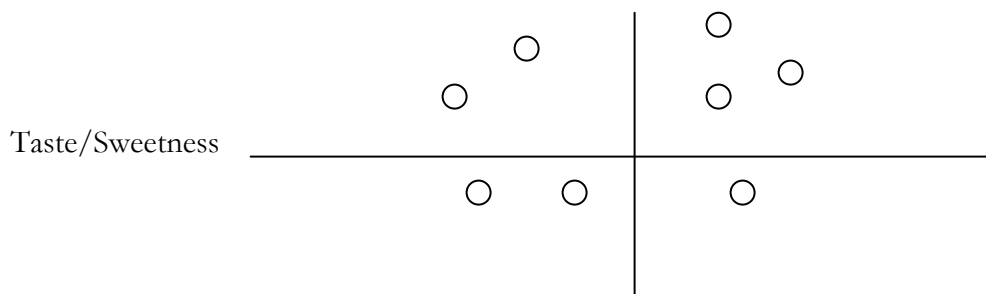
### Positioning Services

The positioning strategy for services are different then product strategies because services are totally intangible. So it is suggested that some tangibility should be created. When customers are consuming services, they do not look to the delivery point but they look for a point called *Surrogate Cues*. Cues mean what kind of indicators are telling about the service quality. For example, Doctor is providing services which are intangible. But marketers bring tangibility can be brought in this by placing the framed copies of Doctor's degree and pictures of Doctor attending conference etc. So whenever a company is positioning its products, they bring their competitors into picture. Therefore, they are hitting the competitors. However, there is a method by which one locates a point which has not been positioned by competitors in that particular area.

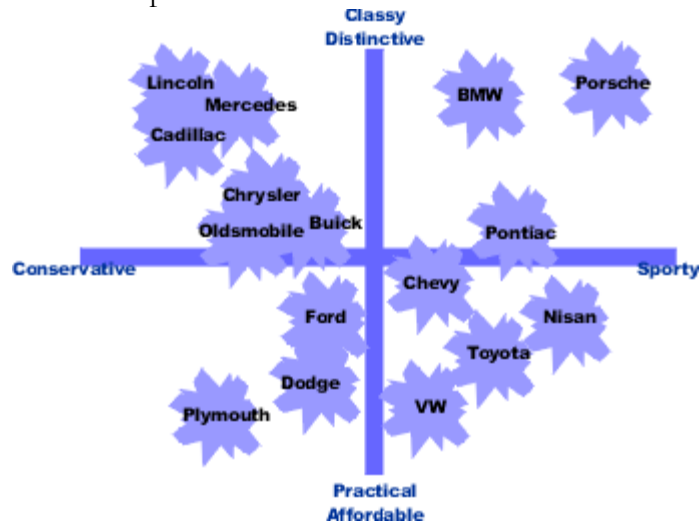
### Perceptual Map

Perceptual map helps to understand how your product or brand appears in relation to competitors' product brand. How a customer see various products located in his perceptual framework.

Price



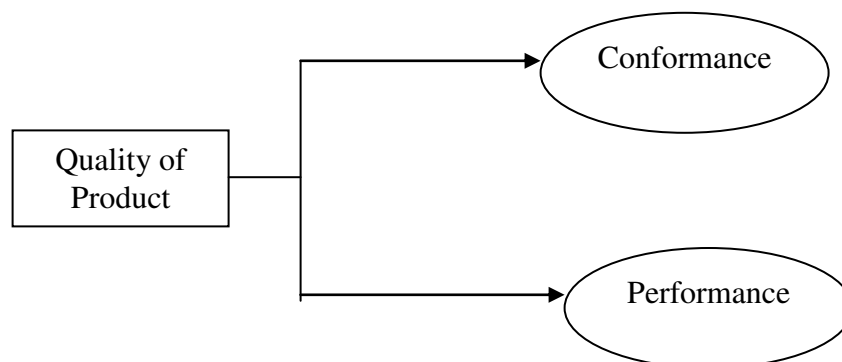
Customers create number of variables about a product and then compare them with the other variables for the same product of the competitors. Above figure depicts two variables *Taste* and *Price*. Customers will start comparing these variables to the competitors and then make the decision. Let us take an example of cars:



The survey was carried out on cars and perceptual map was drawn which is shown above. Variables were it own old fashion, is it practical and affordable etc. We can locate a gap and empty space between the brands by using this perceptual map. For example, we can locate the gap between the car FORD and the car TOYOTA. If we want to fill this gap, this will be our new POSITION. While locating a position strategy, we must emphasis on the quality of our product.

### Quality of Product

We, being marketers, must also understand the quality and its important concepts.



*Conformance*

It means to show the detail of the usage of product. For example, Honda motorcycle can take you 70 km in one liter petrol ...one liter petrol / 70 km.

*Performance*

The perception of the person who is into position. A person might believe a car is faster going from 0 second to 60 second than the other car.

**Services Marketing**

As discussed earlier, services marketing are intangible in nature. Marketers have to understand what is expected by the consumer and how gaps are created. So first interpretation about what is expected by the consumer and what does marketer thinks that he expects can create a first gap. If marketer could exactly identify what customers want, then the second point could be the marketer could identify the method to deliver that. Hence, the second gap is what marketer understands and what he delivers. Third gap is when marketer responded to, how it is perceived by the consumer. All these gaps when they pull together can create the gap between expected and delivery. So here, we found that services marketing are different from the products.

**Quality of Service**

There are five factors to measure quality of services;

1. Reliability
2. Assurance
3. Responsiveness
4. Empathy
5. Tangibility

These are repeatedly used to determine service quality and help us to understand what quality in terms of services is. Many factors have direct impact on service quality which includes retail outlet, country of origin and manufacturer's image have direct impact on perception of quality. That is what we, being marketers, need to understand and keep in mind while devising position strategies.

## LESSON 13

## REPOSITIONING

**Behavioral theories**

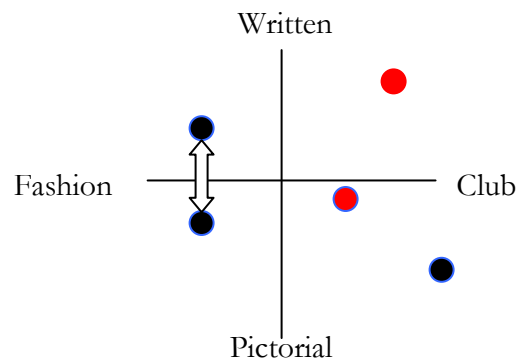
Before moving to the behavioral theories, let us recapitulate some important links like perception, positioning, and risk which we have discussed in the previous lectures. We will try to relate those concepts to the behavioral theories. As we already discussed that it is important for marketers to understand the priorities which are given by the consumers and develop a perceptual map through which marketer can easily see the ideal requirement and then position accordingly. In the next step, they have to understand how consumers change the perception over the period of time because perception is relative to the other product. Now is the point to understand if we are correct in the original positioning and perception was also correct then what could happen that require new change and motive the marketers to go for repositioning?

*Why to reposition?*

Sometimes it happens that the perception of the people change over a period of time and that is why we regularly try keep an eye to the customer that if there is a need change in preference, then new attribute could bring into the criteria so that the changing needs can be satisfied. So repositioning normally happens specifically when we observe that:

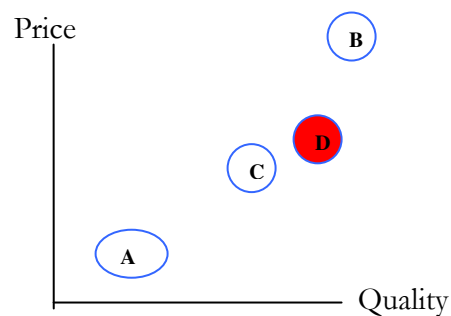
- New preference has taken place
- Competitor has positioned himself near your position

Let us explain this concept through an example of a *magazine*. Magazine being a tangible product has two attributes: one is the amount of written material and other is pictures. It has two types of focus, one is club oriented and other is fashion.



Let say in the begging we are more located in to club oriented / social gathering and pictorial. Let us assume that two other companies are also providing magazine but one is providing magazine with more written material and other is providing same as of ours but with more emphasis on club oriented with more pictures (shown in red colors). Since these two active competitors are providing the magazine with the same positioning as of ours, so we need to shift towards written, fashion area and pictorial contents. This will be point where you will be having different position than your competitors and here the only way was to go for re-positioning to get success.

Let us take another example of services which is more difficult in nature due to its intangible features. So we need to understand the perceptual map of the services so that positioning can be done accordingly. Take an example of a UNIVERSITY:



Two important features which students are looking for are quality and price. Lets assume that one university named 'A' has low price and low quality. Other university named 'B' has high price and high quality and third option is University named 'C' which has low price but little bit high quality as compared to university 'A'. Here we observe that there is a major gap between the perception of

B and C. If we want to position our University named 'D', so the good option we have is to keep the price low than university B and keep the quality high then university C, so the point where we need to locate is 'D' (red color) it will be a good point for positioning where the quality conscious as well as price conscious customers will have a best option to choose University 'D'.

Another challenge which we will face is how to make sure that target market thinks University 'D' would be the best option for them even without having any earlier experience. What we need to do is to create certain cues, which will help the students to build their perceptions.

*How quality of a University is perceived?*

1. Brochure (good brochures can impact on the senses of students a lot)
2. Faculty (qualified and experienced faculty will obviously impact on the perceptions of students and parents)
3. Infrastructure (buildings, facilities, class rooms and transportation etc will also help in building perception)

These tangible aspects will help to build positive perceptions for intangibles (university). So these perceptual maps will help the marketers to better positions their products and services which is very necessary part of marketing. Let us discuss another important concept, i.e.

### **Risk**

Motivation is one factor where risk is an important factor. This risk is also relevant to perception where customers have a risk in building perception about a specific product. Risk has different types:

- Functional risk
- Physical risk
- Financial risk
- Social risk
- Psychological risk
- Time risk

*How customers reduce these risks? And being marketer how :*

**1. Get more information**

Try to get more information about the functional aspects of the products, and its major competitors.

**2. Brand Image**

If you have a brand whose image is good, then you will be more confident to choose that specific brand.

**3. Brand loyalty**

Those who are brand loyal can easily get the products.

**4. Reputable retail store**

You perceive that everything will be smooth here and you will not face major problems from this retail store.

**Why do people are risk averse/aversive?**

Actually all of these factors come through learning process, and past experiences. So, marketers must understand the learning process.

**Learning processes**

Learning is a process by which marketers / consumers tend to learn how to purchase, how to consume, and how to dispose of the product. It is a process by which individuals acquire the basic purchase and consumption knowledge and experience that they apply to future related behavior.

Most of the times, we stuck ourselves on the point of consumption and we forget the dispose of step. Marketers must emphasis this point and educate the consumers in these processes. There are some theories which help the marketers in this area;

1. Learning theories
  - a. Behavioral
  - b. Cognitive

Learning is a process

**a. Behavioral**

Behavioral theory is more concerned about the outcome of behavior in terms of how the perception behaves/ works.

**b. Cognitive**

How did/ do you think towards the behavior? What happened in the mind as a process before the behavior takes place?

In the above discussed definition of learning, we observed that learning is a process which means it is a continuous process that can change at any stage. Second aspect is what the consumer will do in the future. Marketers also need to know the basic elements that affect learning. Therefore, the knowledge frame is provided by some elements which are:

- a. Motivation
- b. Cues
- c. Response
- d. Reinforcement

**a. Motivation**

As we have already discussed that motivation is a very important concept in marketing. It tends to set goals which are achieved from the consumption process by the consumers. In the learning process, motivation plays a moderating important .For example, if a group wants to go for an adventure on a bicycle, their motivation to learning will help them to know about the area where they are interested to go in. So, level of motivation increases or decreases the level of desire to learn.

**b. Cues**

Cues are stimuli or clues that are given to put direction to the motivation. Taking the same example of adventure, it is required to know where to find robust mountain bike, the most suitable mountain bike. So he needs to visit websites, reads magazines and talk to friend as much as he can to know about the suitable bike. Simply speaking he needs to get different cues from different channels/forums about the product he is searching.

### ***c. Response / Reinforcement***

Theory suggests that the number of time you reinforce something, the person will be habituated to it. For example, a sales person is required to go to his client five times a week. If he does that and he is given a bonus for every fifth visit, he will try to repeat his behavior again and again. This behavior is called reinforcement. In the marketing area, we state that if you provide the desired service to a customer again and again, he tends to repeat buying again and again. In learning theories, it is concluded that if a behavior is repeated again and again, more learning will take place. It also indicates that if expectation exceeds the perception, the reinforcement will be enhanced. The above discussion is important for both marketers and consumers but it is important for marketers to know how this process is created and how does it work?

## **Learning theories**

### ***How learning takes place?***

There are major two classes of theories; behavioral theory and cognitive theory.

### ***a. Behavioral Theory***

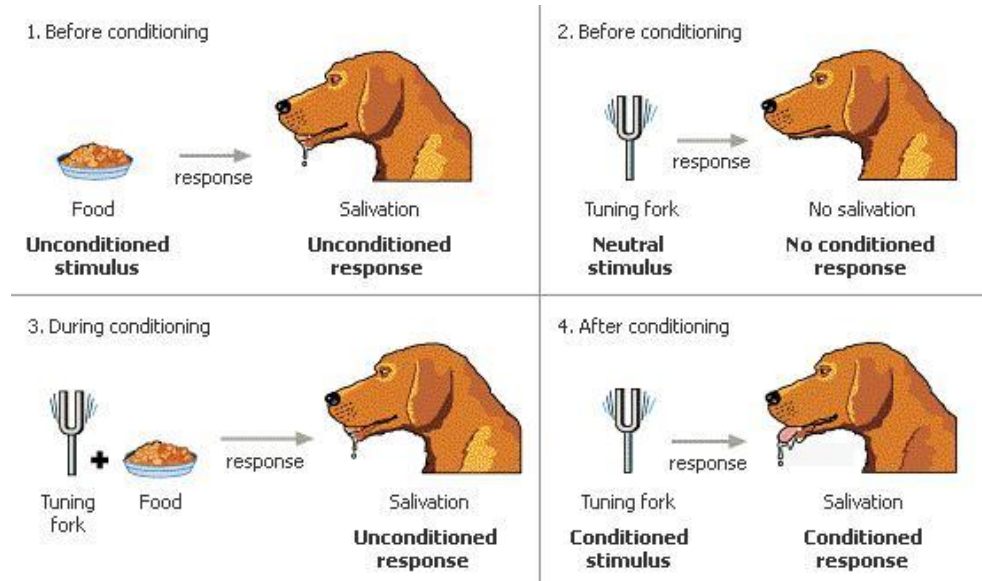
Behavioral theories normally look at the outcomes of all the process of learning, i.e. in terms of how a person would behave. One of the best known aspects of behavioral learning theory is classical conditioning theory:

### ***Conditional classical theory***

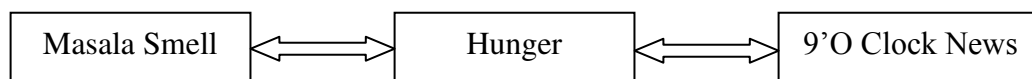
Conditional classical theory was discovered by a Russian Physiologist Ivan Pavlov who said that classical conditioning is a learning process that occurs through associations between an environmental stimulus and a naturally occurring stimulus. It's important to note that classical conditioning involves placing a neutral signal before a naturally occurring reflex. Pavlov conducted an experiment on dogs. He would ring a bell and after the bell was rung, he would put meat piece on the tongue of a dog and dog started salivating immediately. He started experiments on it again and again and every time he does the same exercise, dog started salivating. Then, he stopped giving taste to the dog and just rang the bell, dogs started salivating again. So here two things come into place. One is unconditional stimulus and the other is conditional stimulus.

Unconditional stimulus is the one that additionally, naturally and automatically triggers a response. Whereas, a neutral stimulus is that which after associating with an unconditioned stimulus triggers

a conditioned response. Here in the experiment of Pavlov, bell was unconditional stimulus, meat was unconditional stimulus and salivating was conditional response. Below diagram explain this example in detail.



If we want to convert this logic into marketing situation and we try to explain from an example.



For example, it is a dinner time and you are watching 9'O Clock News on Television, meantime dinner is being prepared in the Kitchen. Now when a good smell of cooking you felt, you become hungry. Here is the same situation:

- Unconditional Stimulus – Cooking
- Unconditional Response – Hunger
- Conditional Stimulus – 9'O Clock News
- Conditional Response – Hunger

If marketers can understand that if the 9'O clock news is conditioned with hunger, then they can put the ad of Pizza, Burger etc at this specific time. Marketers can apply the classical conditioning in a number of ways to promote their products.

## LESSON 14

## LEARNING

**Theories of learning**

As we have talked about some learning theories, we need to understand consumers learning process because marketers need to understand the behavior of the consumers so that they can respond to them according to their favorable manners. That's why learning process become important for marketers.

**Response**

Now we focus on responding / responses by the consumers based on certain stimuli.

We have to understand consumer behavior or learning process under two conditions. One of that is Instinctive response or reflexive response.

**- Reflexive Response**

As already discussed in the Pavlov experiment on dogs, when conditional stimulus is associated with unconditional response, we normally observe conditional stimulus. There are four main points in the Pavlovian Theory of Reflexive / Instinctive Response

- a. Sequence (conditional must come first and unconditional must come second)
- b. Pairing (two things happen at the same time)
- c. Biological response
- d. Repetition

In addition to that there is a new theory which is called:

***Neo Pavlovian theory: Cognitive Association***

This theory suggested that this system is not reflexive in nature, it depends on the association. When unconditional and conditional response brought together, consumer start thinking process to link these responses together and also link the third response to these ones. So it does not happen instinctively, but because consumers using cognitive, logical and rational thinking, create association and then they have better picture of the situation and response take place. Having learnt of these theories, we must also know the implications of these learning processes in marketing.

## Marketing implications

### - *Repetition – ads are repeated*

In advertising, unless repetition of the message does not take place, learning or what we call recall condition will not occur. So repetition is really bringing these concepts together.

### - *Association – adding a product under a brand*

When repetition will take place, associations will take place and it is important to note that these associations must be relevant to the individual's own desires.

### - *How many repetitions are enough?*

It is necessary for the marketers to know that how many times an ad should be repeated because repetition in excess may also create a problem of boredom. Two things are important to know:

- *How many repetitions are sufficient to establish the relationship*
- *Over repetition has a negative impact*

Research suggests that three repetitions are enough to create learning which is also called three shot theories:

- First visibility would create awareness
- Second visibility would create association
- Third visibility would create learning

Another research suggests that to create these three shots, you need 10 – 11 exposures and out of these 10 – 11, an individual customer will get up only three because by having too much, consumers will lose their memory. This is a fact that watching the same ad becomes boring. So what marketers can do is to change the ad into two forms. One of which is *Cosmetic Change* which means the original words all stay the same but you can change the background, color, design, style etc. Second aspect is to bring *Major Changes* in the ad which means in one ad you are displaying one single attribute but in the other ad you present other important aspect. It means you are not presenting all the attributes in a single ad, but dividing it into number of ads. Another concept

## Stimulus generalization

What happened was the Pavlov realized that when bell was rung, dog started salivating. Now if at any time you through for example keys whose voice is to some extend similar to bell, the dog would also start salivating. So Pavlov thought that if any stimulus similar to the original one arises, the response will be the same. The implications of this concept would be well explained as follows: for example, there are number of products in the market called “*me too products*” which means that there are certain products which are original ones – other marketers try to capture the original ones and try to sell their products to the same market. So, consumers will confuse which one is the original so they will buy the copied product. So this is a major impact on the marketing. On the other side, companies also bring differentiated products. This is good for both marketers and consumers as they would be involved in totally different products.

## Applications of stimulus generalization

It is necessary for the marketers to know the applications of this generalized stimulus. They can do so by number of concepts/methods:

- Product Line Extensions

It is a very important concept in launching products. For example, washing powder – hand wash soap is the original powder and its product line extension can be machine wash powder.

- Product Form extension

Just to change the shape, for example, teeth cleaning – toothpaste and its extension can be toothpowder or mouthwash.

- Product category extension

It means a totally different use of a product. For example, deodorant is the original product then launching of shaving cream which is totally different product.

So we also need to understand the relationships of these concepts and its application in the brand management.

In the brand management, there are two types of branding strategies.

- Family Branding

One single brand is used for all the product categories. For example, Gillette – raisers, toiletry. P&G – shampoos (Pentene, Head & Shoulders). So it is called house of brands means under one shelter there are number of brands.

- Branded Family

This is another strategy of branding means launching brand in the same family. For example, Gillette launched raisers, toiletry etc. So making these concepts generalizeable, we must be aware that these brands can be transfer from one to the other and logic should also be accepted for other customers.

Some time it happens that for the successful generalization, there has to be four points:

- a. complementary products
- b. some kind of substitute between the attributes
- c. some transferability
- d. key image component

This is specifically for umbrella branding where one brand holds a number of brands. So in this concept, marketers have to look for the number of concepts to make it generalizeable.

Another concept used for generalization is licensing.

### ***Licensing***

Well established brands give license of using their names to the other companies, for example, Marriott Hotels and Pearl Continental Hotels who give license to others to use their brand name but here companies must be very careful that the company which is taking license should keep the standard same as was of original brand. These are some thoughts on stimulus generalization. Now we are looking to the opposite of it called stimulus discrimination.

### **Stimulus discrimination**

The concept of stimulus discrimination is used in the concepts of positioning which is a basic concept in the marketing framework. Positioning concept desire that every company wants to differentiate their products in such a manner that consumer will be attracted to that particular product. This can only happen that there is no other competing brand can position like your brand. Here re-positioning concept can be used for better explanation. So discrimination occurs

when marketers try to discriminate other brands and try to push their brand more and more in the market. Another important concept in this area is called Instrumental Learning.

### **Instrumental Learning**

It is basically an operant learning which means individuals learn the things through experiences. In this type of learning, the behavior is instrumental in producing a change in the environment, and that environmental change in turn affects the probability of the behavior that produced it. It is used to explain complex behaviors and this occurs through trial and error response. For example, you are search a specific product at retail stores and visit number of stores. After searching number of stores you reach to store which give you some good exposure and now you start preferring the same again and again. Here you learned from trial and error. In learning process field a famous scholar B.F. Skinner conducted many experiments. He used a number of animals to start to learn certain animals. He picked pigeons and trained them to play ping pong. Every time the ball was going to the right direction, there was a reward and if the ball was moved to the wrong direction, there was a kind of punishment. Slowing the animals learned to go the direction where he wanted to go. Through the reward systems, many animals were trained. So the conclusion of these experiments is that learning system is a continues process acquired trial and errors.

### **Reinforcement**

While talking about the reinforcement, there are two important steps:

- ***Negative Reinforcement***

It should not confuse with punishment. Punishment is used to discourage a behavior where as negative reinforcement is used to encourage a behavior. For example, the ads of insurance policy – where you show death etc which is not used to discourage but encourage to go for health policy. On the other side, ads of cigarette – this is normally used to discourage the behaviors.

- ***Positive Reinforcement***

It creates high satisfactory results.

Finally thought is Extinction and Forgetting

## **Extinction and forgetting**

We know that people tend to forget over time. So learning can slowly get reduced. Forgetting can take place and memory decay can start happening. Once decay start, the person would normally tend to loose the things that he had remembered over a period of time. So marketers can create repetitive advertisements, create customer satisfaction over a period of time. For example, universities normally have placement services – two points can be done. One is to place the new graduates to the jobs but over a period of time they normally forget. So second, universities can be in touch with the students over a period of time which will help the students to recall the services of the universities in find the job for him.

## LESSON 15

## CONDITIONING

**Theories of learning (Continued)**

As we have already discussed that consumer is in a black box and marketers need to understand that how to capture the things in the black box. So these learning theories help them to find out the true things to be targeted. Here we will discuss the important concepts of marketing and theories of learning.

**Stimuli generalization and its implications**

When we talk about the advertisements, we observe that the frequency and ratio of advertising creates different impacts at different levels. First advertisement creates awareness, second advertisement creates relevance, and third advertisement creates benefits. So marketers float the ads depending on the requirement of the creation of information. These are strategic implications which are very relevant to the classical or neo-classical theories. Neo-Classical learning also called Cognitive Associated Learning (CAL). In CAL, some expectation creates for example, when you create unconditional response, and then you put conditional stimulus e.g. Sony TV, and now Sony launches other brand under the umbrella of same brand name Sony. Although, customer didn't experience the new brand yet, but expectation creates for Sony due to its good image of the previous brand. In order to apply the generalizeability of the brand, a concept is called

- ***Me too brands***

It means the brand try to copy some features like packaging, color, design etc of the market leader. When a consumer goes to the shop, they pick me too products because of the same features.

- ***Private Label Brands***

For example, MAL-MART who keeps branded products in their retail but with the passage of time they developed their private label brands like Wal-Mart Cola. Their design is similar to the brand leaders. This idea is used in two different concepts.

- Family Branding

- Umbrella Branding

### ***Family Branding***

For example, Procter and Gamble has different brands on its portfolio like HEAD & SHOULDER, PERT, WASH & GO but the overall umbrella is P&G. Similarly, Unilever has many different brands on its portfolio like Dove, Lifebuoy, and Clear which are under the umbrella of one brand called Unilever. On the other side, same brand name is used for all the brands like Sony which has Sony TV, Sony Walkman, and Sony Camera. So companies decide branding strategies based on stimulus. In this type of branding, the strength of the corporate brand is increased. The idea of family branding and umbrella branding is same but there is little distinction. In one category, we go for LINE EXTENSION. In Line Extension – many brands are sold less than one brand name. For example, Bar Soap, Gel, Liquid Soap, and Shampoo so these are the extension within the same category. The other concept is FORM EXTENSION which means you just change the form of the same brand like small bottle, large size bottle etc. The third concept is CATEGORY EXTENSION which means moving from one product to other product categories by using the same brand name. Research suggests that the brand is more successful which has more categories because people start comparing the good features of the brands and generalize it to the other brands. This is the reason that the expectation becomes strong for the brands which is well explained by Cognitive Associated Learning (CAL) which depends on the status and level of stimulus. Two forms of stimulus have different impacts at different levels.

### **Stimulus generalization**

As we already discussed that a stimulus is an action or a procedure used to gain a response. It has different natures the one of which is stimulus generalization. Stimulus Generalization is when a stimulus is generalized to a similar stimulus and still it gain the same response. In our earlier example of Pavlovian Theory, when a bell rings at a ***certain tone***, a dog salivates; if the bell rang at a ***higher or lower tone*** the dog may still salivate. So here bell tone is a generalized stimulus. The opposite of the stimulus generalization is stimulus discrimination.

### **Stimulus discrimination**

Stimulus discrimination is when someone can discriminate between stimuli which gradually weaken the effect of the stimulus on the required response. For example, a dog is given increasingly different sounding bells from the original sound which means the stimulus will have a decreased effect and eventually dog will not give any response at all. In the context of marketing, when we look the environment, we find that there is too much information available, so in this environment segmentation is more difficult. So it is strategically important to bring a stimulus that is strategically discriminating.

When we talk about the consumer learning theories, instrumental learning theory comes into play which is very important in stimulus generalization and discrimination.

### **Instrumental learning theory**

In the instrumental learning theory, the stimulus and response are coming through trial and errors. In instrumental learning, the behavior is instrumental in creating a change in the environment, and that environmental change in turn affects the likelihood of the behavior that produced it. These things come through reinforcement. Some time, reinforcement is positive and some time it is negative. Negative reinforcement is like the ads of life insurance where advertisers show the death of a person and then the problems which his family is facing. So thereafter giving the message of life insurance.

### ***Strategic Application of Instrumental Conditioning***

Implications of instrumental learning are done through different processes. For example, you go to Beauty Saloon for hair cut, in good and state of the art saloons', you will be offered coffee, tea etc. So if you observe, these types of extra services have no relationship with quality but they provide it to build strong relationships. These instrumental things help to increase customer retention and customer satisfaction.

Another example is of hotels where they offer amenities, welcome drinks, or fruit baskets etc. It is kind of creating relationships with the customers by instrumental learning. Through these examples we observe that the response came from trial and errors, and the result occurs to you is the response came out of number of choices. For example you visited number of shops and in

one shop you found a jean which fits you very well. So this jean positively reinforced you and you become satisfied. No every time when you will visit that shop, you association with that shop will become stronger by repetition. Some time this repetition reach to the end which is called **EXTINCTION** which means the relationship is totally reach to the end.

If you go to another branded shop of same kind, where you couldn't get the product of your choice, negative reinforcement will start. So you will not go to choose that product again – here your relationship will go to the end. On the other side is **FORGETTING** – where you liked that same jean but with the passage of time you forget that specific shop which is forgotten reinforcement. To cope up this issue, marketers normally use different techniques like free coupons, loyalty cards etc so that customers can come again and again, and they can be retained and become the loyal customers.

American Customer Satisfaction Index research suggests that it is wrong to assume that lower prices and more diverse product line make customers satisfied. Although it is necessary that the prices should be equal or lower, there should be number of choices, but also there should be strong personal connection. This specific things lead to the emergence of the concept of Customer Relationship Marketing (CRM). Marketers try to connect with the consumers at different levels through different means. If you could be able to satisfy a customer, he/she will express positive word of mouth about your brand hence you brand will be advertised to the others by an inexpensive means. Hence it is very important to retain and satisfy the customers. In the relationship marketing, the reinforcement is done through **FIXED RATIO** – for example, in every fourth purchase you will receive discount. Hence customers will try to enhance their purchase for four units to avail this opportunity. Other technique is **VARIABLE RATION** – here you don't tell the customer about the benefits which they will get. So they continue shopping and all of a sudden you hand over their gifts. That will be surprise for the customers and they will be reinforced. These are the after affects of reinforcement. In some other cases, reinforcement performed before behavior takes place. For example, marketers put drastic discount on a particular product while the people were purchasing other products. This happens normally on famous days like mother days sale, father days sale etc. Now question arise that how this reinforcement process takes place.

*Massed Vs. Distributed Learning*

Mass Learning is the short term, immediate learning often done through competitive or penetration strategies. On the other side, distributed is a long term learning process which is done through extension or market development. Further detail will be discussed in next lectures.

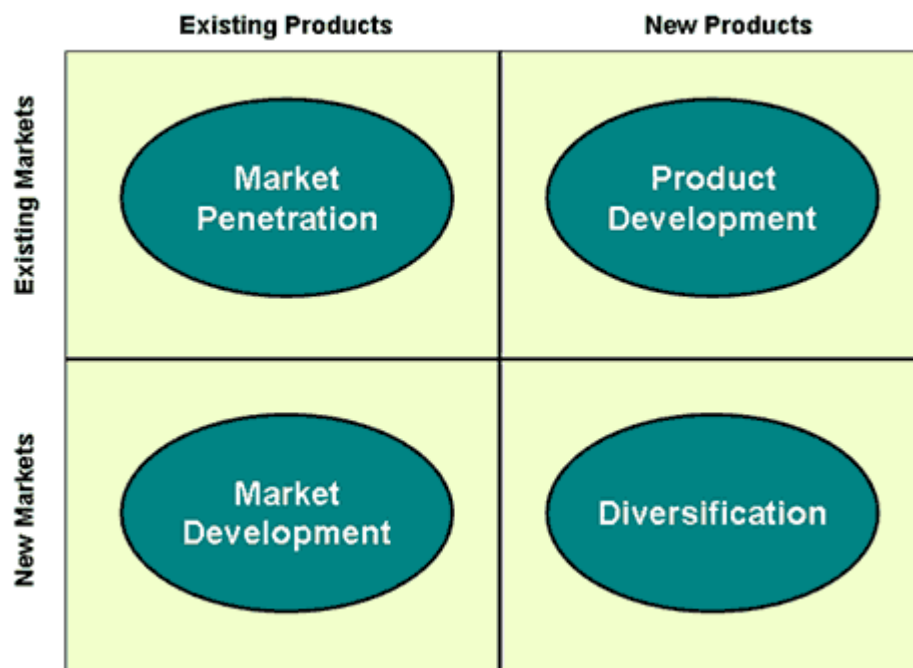
## LESSON 16

## INSTRUMENTAL LEARNING

**Theories of learning (continues)**

As we are discussing theories of learning, so in this lecture, we will discuss important concepts and theories used in marketing. So, we will start with the concept of CRM. According to researchers, it is very important to develop a relationship between product and consumer. So over the time CRM becomes very significant. When a person is over loyal to a product, he will be more dissatisfied if his expectation is not met at any time and he will never come back.

## ANSOFF GROWTH MATRIX



This model suggests how you can create marketing strategies for certain purposes. On one side of this model is product and on the other side is market. The one variable which is existing product in the existing market is called MARKET PENETRATION. Link up this with the mass concept, here people normally tend to use mass learning concept and produce the products in bulk. The other construct is marketing the existing products into new market called MARKET DEVELOPMENT. Simple logic suggests that if you want to develop the market over a period of time, then you have to move into the distributed advertising which is based on the concept of distributive learning.

The other side is the PRODUCT DEVELOPMENT in which you offer new products into the existing market and final concept is DIVERSIFICATION which means offering new products to the new market. Another model is known as:

#### Modeling or Observational Learning

Instead of trial and errors, people normally watch the things, they watch other people, using a particular product and see the response which they are receiving and based on that they develop their own behavior. This tendency is normally seen in children who watch their elders and whatever product the elders are using, they normally prefer to go for that. Same concept is applied in opinion leaders. Opinion leaders normally belong to particular product and others normally try to follow them in different aspects. For example, you want to buy a computer; you will tend to go to a person who is more experienced about computers. So, you will rely on them in for choosing your product. In marketing, the use of models is an effective way of communicating your message and capturing the behavior of customers. For example, a lady with shining hair is using a specific shampoo, so you will be inclined to use that specific shampoo, hence, you will be reinforced to choose that specific shampoo. Another theory which is quite popular is known as;

Cognitive Learning bold - in which a person goes through a process of thinking and he has to go through a number of steps through a thinking process and follows a number of steps. It focuses on thinking and problem solving process belonging to an individual. It is distinctive from cognitive associative learning. In cognitive learning, we have following important concepts:

- Problem Recognition
- Information Gathering
- Evaluation

- Decision and post decision evaluation

To make sure that how these steps work, we must know that how does an individual gather information, and how does he/she process information. This information gathering and processing has two implications:

- i. Ability of Individual
- ii. Complexity of the information

In convenience products, no need to gather these types of information, but in specialty products, we need to collect information. There are certain models which are necessary to be understood which are explained as follows:

### ***1. Promotional Model***

This model is well explained by AIDA (Attention-Interest-Desire-Action) which is mostly used in advertising. The customer who has full knowledge about a product and if you are giving low information, he / she will loose interest in that product. So, marketers should provide full knowledge of the product.

### ***2. Decision Making Model***

This model is one in which we are more concerned. This model actually relates to **Awareness** which gradually move to create **Knowledge**. Hence, the customer starts making Evaluation and then reaches to the final stage which is called Purchase Decision.

### ***3. Innovation Adoption Model***

If we link the Product Development stage of Ansoff Model with the Innovation Adoption Model, we find that the marketers again need to create Awareness which eventually create Interest of the customers in that specific product. Thereafter, customer starts Evaluating the product to decide whether the same is fulfilling his requirement or not. If he found that the product can meet his needs, he will purchase it as a Trail and then evaluate for future action which is called Post Trail Evaluation. If trail is not reinforced, so the instrumental learning will not occur due to which customer will loose interest in that particular product. In addition to these models, we need to look at basic processing system.

### ***Basic Processing System***

We can well understand the concept by understating the sensory process. Senses send information in the form of small packets, once the information comes into the brain, the information is put together to create a picture for form a scenario and information flow out within a second. The information which has no basis of interest for you, you will immediately pass it on but the information which is of your interest will move into the short term store where all the work takes place. If we don't focus on that specific information, we will gradually loose that information but if we start it's Rehearsal then the chances of retention of the information will be high. If we repeat the information again and again, this information will move to our long term memory and will stay for number of days, weeks, months or years depending on the nature. So, in order to keep the information in our long term memory, we must emphasis on its rehearsal. A marketer that's why often create different cues related to the brand so that these small cues make associations which will take the shape of picture or schema. For example, picture 'M' is recalling McDonald's recall the food, burger etc. Once the associations are developed and information stored, now it is important to create retention so that the information stay in the memory for a long period of time. For retention process, degree of prior knowledge is important. There are two methods through which information can be retained:

- Episodically

It is related to time series and time frame. For example, we have taken brunch on last Sunday and we recall that specific day, it is episodically stored information. The other way is semantically stored information.

- Semantically

Here information is stored conceptually. Let us take the same example of Sunday Brunch, the experience which we got on that specific Brunch is called semantically retained information.

In addition to the importance of retention, retrieval is another important concept. As we know that cues bring information from long term memory to the short term memory. For marketing purposes, people are normally concerned with the benefits not the attributes. For example, the speed of a computer is 3 GH, it is difficult for customers to remember this information, so it is easy to say that the computer has very high speed. One is benefit and other is attributes. Finally, the important thing is the Involvement Theory which has direct link with the type of buying product

which is very important both for customers and marketers. We will discuss this theory in the next lecture.

## LESSON 17

## THEORIES (Cont'd)

**Involvement Theory**

Consumer involvement theory is the way to understand the psychology and behavior of your target consumers. By involvement, we mean the time, energy, interest, and resources a customer spend in searching, purchasing and using a product. By considering its importance, we can develop our market segments on the basis of involvement of the consumers. Because if we understand the segments clearly, and we understand how people involve in the information, what kind of behavior they normally show. Here are some concepts important in the involvement theory.

- ***Impulse Buying***

Impulse buying is the unplanned decision to buy certain products and this decision is normally taken at the point of purchase. For example, you were walking in a store, saw some toffees and bought it unplanned.

Involvement theory came from clinical studies which suggest that the brain has two hemispheres called left hemisphere and right hemisphere. The left hemisphere is one that relates itself to the information, it and tries to analyze things; it is working in a lot of informative framework. On the other side, right hemisphere is more intuitive institutive, it deals with non verbal, timeless, pictorial and holistic information. Processing is intuitive, emotional and impulse. For example, there is an ad on the television which is not giving too much information. After watching the ad, right part of the brain would take the behavioral systems into play because it is more heuristics. However, if a person used the left side of the brain and if he is consistently does the same, then it means his activity is more significantly related to the information processing. So, this kind of ad may create misperception but if we find a group of people who had very strong involvement issue, we need to know the kind of media appropriate for them, the kind of message relevant to them, the kind of content relevant to them.

***Right Hemisphere***

Research suggests that right hemisphere is more tuned to the classical conditioning which also relates to the visual component of advertising for example; the model, back group, picture not the detail of the attribute of the product. It is also suggested that if TV advertisement is used and it has to trigger out the long term memory, then you need to be able to decide which particular cue can

be send as stimulus so that the desired response can be drawn. And obviously, that cue should be sent in such a way that it can be recalled, and it should be familiar. So this activity result us to go for repurchase behavior. Now let us look at the left side of the brain.

### ***Left Hemisphere***

If we want involve left side of the brain, logic says that we have to give complete information so that people can analyze the information and they come to the conclusion. If a marketer is trying to compete in a market where products are already established and people are into this repeat purchase behavior, and he want to break this logic, then they have to enforce the target to get involved in the purchase behavior. And the only way is by showing distinctive and competitive advertising in the sense that they have to challenge the brain to get involved in the process of trying to see between the products, and trying to access which one is the right product for them. For example, if we understand that a product is very relevant to an individual and if we can increase the perceive risk in purchase behavior regarding a product which used to be bought in an impulse or in a repeat purchase framework then in this case we can force involvement and that could trigger out the issue. For example, people are using a shampoo but are unaware of its ingredients and marketers comes in and suggest that if you use a wrong shampoo you may loose your hair. So this creates high level of risk. This will force the person to move into high involvement area where he/she may start reading the ingredients of the product. And most probably, if marketer offers its own product as an alternate, the probability of breakthrough of the market will be high in his stage.

If you try to understand how these can be linked up, we become clearer that why these learning processes are critical in understanding this framework.

Finally when we talk about the impulse buying, it is normally used done by in the household consumers but ...and not found in business to business marketing. we can't find it in the business to business marketing. In B2B system, there is extensive or limited problem solving issues. So, there is naturally high level of involvement. In this case, complete and comparative information needs to be provided.

### ***Routes to Persuasion***

- *High Involvement Products (Central route of persuasion)*

This means that the marketers tend to use a lot of data such as rational arguments, attribute description and comparative technical information to persuade the consumer to buy the product.

- *Low Involvement Products (Peripheral route of persuasion)*

This means low involvement in the product which is normally promoted by giving pictorial advertisements without giving more information. Here, the focus is on the imagery side of the information.

### ***Measure of Involvement***

The issue is how to measure of involvement. so There are number of frames through which we can measure involvement. We can go through:

- Behavioral frame
- Cognitive frame
- Product category

We can measure involvement from behavioral perspective, cognitive perspective or even by categorizing the products. The involvement will be varying depending on the nature of product category. For example, a person may be highly involved in a Laptop but not seeking too much information about the TV (low involvement).

When you are targeting the high involvement products, you need to check whether consumer comprehends the information which you are giving them. If you are giving information which your target customer can't understand, then it is only the waste of time, effort and money. So, in terms of applying involvement theory where we need to understand what kind of information is to be given, we also need to understand how person will be able to understand and comprehend the information.

### ***Some examples of testing questionnaires***

We can measure by using likert scale rating from 1 to 5. For example, “*to me the product is----*”

1. Important, -2. -- 3. -- 4. -- 5. Unimportant

### **How to measure overall consumer learning**

Question arises that whether person can remember something? If yes, then we are confident that some learning has taken place. In measuring consumer learning research, we need to be able to target three areas to understand whether some information has been learned or not.

a. Recall

Recall has nothing to do with aided or helped by some one, it is something we remember from somewhere. So it is something unaided. Here you ask the consumer to recall the ad and scenario and then see whether they can recall your target desired things etc.

b. Recognition

We show something and ask the person can you recognize what you have seen? It is something aided. Here you are showing some cue to the customers and ask them to recognize its origin etc.

c. Understanding and Comprehension

Has the person been able to understand what the seller was trying to say? Here you ask the consumers what they have understood which we were telling them? In addition to this, we also need to discuss the measures of brand loyalty.

## Behavioral Measures towards Brand

Attitudinal measures are the ones which measures the feelings of the customers towards the brand. Loyalty can't be measured by watching the customers buying the brand. So, we need to project consumer loyalty and we normally do that by using attitudinal measures. For example,

- *Commitment* – how committed a consumer is towards a specific brand shows his loyalty.
- *Propensity to buy* – if we are asking in about the next purchase that which brand will you buy; this is called propensity to buy
- *Repeat Purchase* – How many times have you bought that specific brand in last few days?

By using above techniques, we can measure brand loyalty. If you find that the customer is continuously purchasing your brand, then it means he is brand loyal.

## Ethical Issues in Consumer Learning Process

Remember it is very critical that we should be able to link various frameworks and see/check what could be the end result which may not be desired by the marketer. This is more relevant in case of Children Advertising where they copy their elders.

Let us recall an advertisement where the person was putting biscuit into a toaster, when he put biscuit into toaster, some beautiful things came out. The idea of this advertisement was trying to suggest to the children that if you eat that biscuit then the feelings would be of happiness. As a

result of this advertisement, an occurrence was found reported where a child was actually putting biscuit on the toaster. When the toaster didn't do anything then he put a spoon to draw out the biscuit and was badly injured. So, this advertisement created a lot of concern among parents and advertisers.

By considering these issues, a Children Advertising Review Unit has been established in USA to observe what children perceive from the advertisements.

Another example: where Cotton Candy Machine was shown in which you can produce Cotton Candy by your own. The idea was not to operate cotton candy but to enjoy cotton candy. Since they showed the ad in that framework, it was found that the children of two to three years age were actually trying to operate that machine without the parents guide guidance. them to do that. So CARU moved in that and told advertisers to change their advertisement. Thereafter, CARU unit emphasized on the advertisers to pay focus on two points,

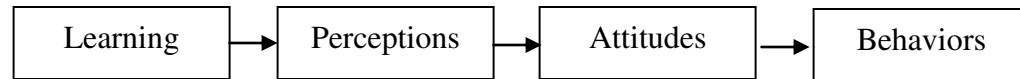
- One is to discourage ads that push children to force parents to buy.
- Second is that the ad will not give an impression that ownership will give status among friends and peers.

These were some issues of children learning; now let us discuss the issues of matured. One problem which we find in the society is Conspicuous Consumption which means buy things just to show others that you have this product. These are some ethical issues which needs to be considered in advertising.

## LESSON 18

## ATTITUDE

In this lecture, we will mainly focus on two things, perception and attitude but we also intend to express this model:

**Learning → Perception**

Learning which takes place into the human being leads to the development of perceptions about that specific object. This is because consumers perceive reality. For example, wrist watch – every person look at it from different perspective. Some see it from the point of view of time, others person perceive it as jewelry item. Therefore, we say that perception is totally an internalized frame. Actually, every individual is receiving stimuli and they try to organize this information to get the clear picture of the world that he sees. This perception depends on the information which marketers float and customers receive. If information is very high, it is possible that so they may not get anything out of it, hence they may reject this information. On the other side, if we say that information is very low, then they may not decide any thing about the product due to limited information available.

**Attitude → Behavior**

Attitude is a learned predisposition to behave in consistently favorable or unfavorable way with respect to given object. Attitude represents an individual's likeness or dislikes of some thing. Sometimes negative attitudes are developed and some time these are positive in the mind of consumers. These are developed in the mind of the consumers based on the perceptions and perceptions are developed from learning process which further leads to the development of behaviors. So actual thing is behavior behind which the process of attitudes is operated. For example, a person is going to purchase Colgate because he has positive attitude towards this specific brand. This positive attitude created his 'behavior' towards this specific brand due to which he purchase Colgate. Attitude was developed due to his perception towards the brand and perception is developed from learning. And learning takes place may be from advertisement, word of mouth, opinion leaders or from his elder advises.

Another example is NIKE and REBOK shoe companies who conduct research to gauge reactions to various styles, colors, sizes etc before moving to its development so that they can know about the attitude of the consumers towards their shoes.

What happens is basically companies conduct market research to know about the attitudes of the consumers before devising marketing strategies. For example, Coca-Cola changed its product. Actually Coca-Cola was promoting that their product is the top favorite product for its sweetness and excitement in the market. So PEPSI conducted some blind tests where they put drink in different glasses and asked consumers to taste the drink and tell which one is the best product. It was observed that even the loyal customers of Coca-Cola selected the glass of PEPSI. Hence, by using these results, PEPSI attacked on Coca-Cola and as a result Coca-Cola loosed market share. To cover up this loss, Coca-Cola created new formula and developed its new drink and sent it to the market for testing. When consumers tasted this new formula drink, they liked it hence Coca-Cola started production on the basis of new formula. All this happened due to the perception and attitude of the consumers. But the researcher of Coca-Cola found that there is no specific impact on the market ration of its drink because they observed negative reactions from the loyal consumers of the Coca-Cola as they started boycotting the product. So as a result, Coca-Cola came to the conclusion to re-launch the product with same formula.

What happened was; on one side, there were perceptions because the people who thought the PEPSI's taste were good but they still reacted and forced coca-cola to bring back the same product. This was happened due to their attitude towards Coca-Cola which was very consistent with buying behavior. So logic says that attitude is more relevant to the buying behavior and perception can be different. For example, our perception is that Japanese products are of high quality but we still use Pakistani products due to our behavior towards our own country. Perception can be developed through different factors e.g. like word of mouth, from advertisement like a perception is built in the mind of customers that Chinese goods are cheaper but the attitude may be different e.g. they may prefer to buy Japanese products rather than Chinese products. So when we talk about attitude, it is a specific product or brand which relates to us and which we intend to buy. Similarly, let us take an example that people perceive that German cars are good in quality than Japanese cars. This is his/her perception but when actual time comes, he/she didn't purchase German car. This may be due the sudden rise in the prices of the car of his choice, or decrease in the buying conditions so his positive attitude may not transfer to buying behavior.

### Change of attitude

A person has a big car which carries a lot of stuff and if he is interested to take the car to a long travel. His attitude was very positive towards this usage, but if his interest is changed towards cross country trip so his attitude may change towards jeep on which he can easily drive up to the maximum points of tour. So his buying behavior is changed towards a very rugged kind of Jeep from a car. So here we observe that attitude can change as it is time, situational and context specific.

### Elements of an Attitude

- ***Object***

Attitude is always related to a specific object; a specific thing.

- ***Attitude have consistency***

It has to be consistent so that conclusion can be drawn – whether the attitude is positive or negative.

- ***Learned Predisposition***

Attitude is learned predisposition because it already exists in the system and then it is learned from different sources.

- ***Attitudes Occur within Situations***

As we said that behaviors can be changed at any point of time, so attitude can also be situational. For example, a person is loyal customer of Nokia and he went to purchase mobile but at the point of purchase, he purchase china mobile because he has low budget at that specific time. So, it does not mean that his attitude towards Nokia is negative but due to cost factor his buying behavior is changed/shifted towards china mobile despite of this positive attitude towards Nokia.

### Structural Model of Attitude

We will look into four underlying dimensions of an attitude:

1. Tri-Component Attitude Model
2. Multi-Attribute Attitude Model

3. Trying to Consume Model
4. Attitude towards the Advertisement Model

### 1. Tri-Component Attitude Model

Tri-component model is made up of three potential parts:

- a. Affect
- b. Behavior
- c. Cognitive

#### *a. Affect*

It relates to feelings and emotions. It says that attitude can be framed through either thinking component or feeling component.

#### *b. Behavior / Connation*

Connation is actual behavior which is also called the active elements of attitudes.

#### *c. Cognitive*

Cognition is thinking, or thought component of an attitude. It is a person's mental representation of an object or stimulus.

## LESSON 19

## COGNITION

**Structural Model of Attitude**

We will look into four underlying dimensions of an attitude:

5. Tri-Component Attitude Model
6. Multi-Attribute Attitude Model
7. Trying to Consume Model
8. Attitude towards the Advertisement Model

**i. Tri-Component Attitude Model**

Tri-component model is made up of three potential parts:

- d. Affect
- e. Behavior
- f. Cognitive

*d. Cognitive*

Cognition is thinking process or the method in which information is analyzed or interpreted, or thought component of an attitude. It is a person's mental representation of an object or stimulus. So, the first factor which comes into play is attitudes that are formed because people tend to go into thinking process and evaluate the information which is related to attribute. Those people who have high involvement, they tend to have more demand for information. So, we always try to generate favorable attitude. This part actually guides our thoughts which have an impact on our attitude.

*e. Affective Component*

It is another way of measuring attitude is to try to access what kind of feelings my brand can play in the mind of consumers. If the feelings are positive, it will have a better attitude on towards the brand. So, affective component relates to feelings and emotions. It says that attitude can be framed through either thinking component of or feeling component. If feelings can be measured, we can easily measure attitude.

*f. Connation Framework*

Conative framework means my action; behavior will suggest what my attitude is. It talks about the predictions about the future, whether I will buy in future or not, whether I will recommend this brand to my friends and family members. So, connation is actual behavior which is also called the active elements of attitudes.

## Measuring attitude through tri-component

Let us have a look on certain questions which can be used to measure attitude through tri-components. For example, *old spice aftershave lotion*. Is it...It is giving your freshness, it appeals to other people. If we put it in a likert scale:

Old Spice aftershave lotion is:

1. Refreshing -----to----- 5. Not Refreshing.

So here we can easily judge the feelings of the consumers about this specific brand.

a. Affective Component

Emotions and feelings that act as moderators to positive or negative attitudes and may be recalled later .

For example, we are trying to measure the feelings of the consumers towards the same brand: we again use the 5 point likert scale as follows:

|           | 1. Strongly agree | 2. Agree | 3. Neutral | 4. Disagree | 5. Strongly Disagree |
|-----------|-------------------|----------|------------|-------------|----------------------|
| Relaxed   |                   |          |            |             |                      |
| Tight     |                   |          |            |             |                      |
| Smooth    |                   |          |            |             |                      |
| Clean     |                   |          |            |             |                      |
| Refreshed |                   |          |            |             |                      |
| Younger   |                   |          |            |             |                      |
| Revived   |                   |          |            |             |                      |
| Renewed   |                   |          |            |             |                      |

Here, we are questioning about the feelings of the consumers towards brands and if agree then it means they have positive attitude.

b. Connation

We can measure this by asking how you would behave in the future. Will you prescribe this product to your friends, and if I do then it suggest that we have positive attitude towards that specific brand. We can measure it through likelihood or tendency.

For example, if we ask which of the following statements will describe the chance that you will buy Old spice aftershave lotion the next time you purchase an aftershave product?

1. I definitely will buy
2. I probably will buy it
3. I am uncertain whether I will buy
4. I probably will not buy
5. I definitely will not buy

This kind of buying scale is suggesting that how I will reflect my future behavior. So by using these types of scales we can measure attitude. We can change attitude by choosing any one of the three factors. For example, if we want to bring change through cognition, then we need to give information that will significantly change the knowledge frame of the consumers and we believe that the particular piece of knowledge which doesn't exist in the mind of consumers would be sufficient to bring change in the person behavior. For this, we need to look into four specific aspects of cognition.

***Influencing Cognitive Based Attitudes***

- b. Change Belief
- c. Shift Importance of particular attribute
- d. Add Belief
- e. Change ideal situation

**a. Change Belief**

Let us take an example to understand how belief can be changed. If we recall the time when people used to believe that pure ghee and pure butter is good for health. However, a research was conducted and results found that people say that other oil is better. So this is a belief change.

**b. Add Belief**

For example, paper or kitchen towel which is used for cleaning surfaces or dry hands. Now, a person may add a belief that a person may have a paper towel which is also sanitized which means that when you will use this, this will also kill bacteria. This is adding in belief and if you add this kind of belief and if you project it as said, then your attitude will be positive towards buying this brand.

**f. Change ideal situation**

Let us recall an ad of UPS in Indian and Pakistani channel and in UPS acid battery was used which normally brings fuels. Although this is a good battery but if a person suggests having a sealed battery for the same purpose, it would be a better choice. So here, the idea has been suggested which can also protect the environment and can fulfill other purposes along with fulfilling of existing need.

These things basically are necessary to understand that how the attitudes can be changed.

**B. Multi Attribute Model**

Many models which look at consumer perceptions as they help form or influence attitude formation. There are more than

1. Attitude towards object model
2. Attitude towards behavior model
3. Theory of Reasoned Action model

**1. Attitude towards object model**

It is more related to the cognitive model.

Let us look at the questionnaire.

Specific attributes using semantic differentials:

- Cognitive Component – Diet Coke

If we want to measure the cognitive component of diet coke, we can ask the questions like:

Strong taste ----- Mild taste

Low Priced ----- High Priced

Caffeine free ----- High Caffeine

Distinctive taste ----- Similar taste

Measuring instrument can be:

The last soft drink I consumed was .....

I usually drink ..... soft drink

What is the likelihood that you will buy diet coke?.....

## ***2. Theory of Reasoned Action model***

The theory of reasoned action (TRA) was proposed by Ajzen and Fishbein (1975 & 1980) which has three general components: behavioral intention (*BI*), attitude (*A*), and subjective norm (*SN*). This theory suggests that a person's behavioral intention depends on the person's attitude about the behavior and subjective norms ( $BI = A + SN$ ). If a person intends to exhibit a behavior then it is likely that the person will do it. This theory is very important in consumer behavior which will be discussed in next lecture in detail.

## LESSON 20

## ATTITUDE FORMATION

**Attitude (continued)**

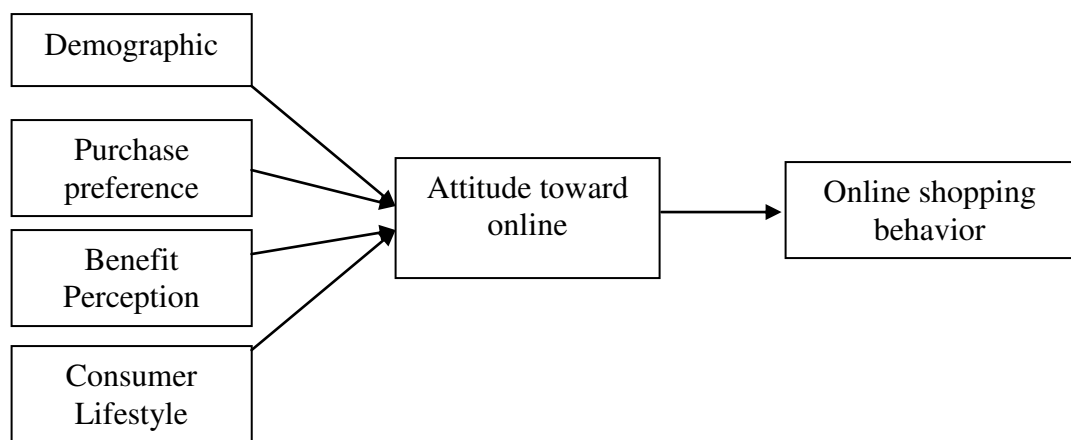
As we have been discussing the underlying dimensions of an attitude:

1. Tri-Component Attitude Model
2. Multi-Attribute Attitude Model
3. Trying to Consume Model
4. Attitude towards the Advertisement Model

And we have already discussed about the Tri-Component Attitude Model. Now we need to discuss other three frameworks:

2. Multi-Attribute Attitude Model

As we have already discussed about the attitude and its development in the previous lecture, and the most important theory for this model was the theory of reasoned action model. As we articulated that the theory of reasoned action (TRA) was proposed by Ajzen and Fishbein (1975 & 1980) which has three general components: behavioral intention (*BI*), attitude (*A*), and subjective norm (*SN*). This theory suggests that a person's behavioral intention depends on the person's attitude about the behavior and subjective norms ( $BI = A + SN$ ). If a person intends to do a behavior then it is likely that the person will do it. This theory is very important in consumer behavior which will be discussed in next lecture in detail. Let us take a model as follows:



This model indicate the impact of four factors demographic, purchase preference, consumer lifestyles and benefit perception on online shopping behavior where attitude plays the role of a mediating variable.

#### *Demographic*

Consumers belong to different demographics and always choose the products according to their own needs. So, consumers with different demographic backgrounds might have different attitudes towards the brands.

#### *Purchase Preferences*

Preferences of every individual are different; it depends on the lifestyles, demographic factors, geographic factors, age, profession and other factors that may also impact on the changing preferences. So, these different preferences lead to changing behaviors.

#### *Benefit perception*

If a person feels that the product will benefit him by shopping online, then he/she will obviously prefer to choose that.

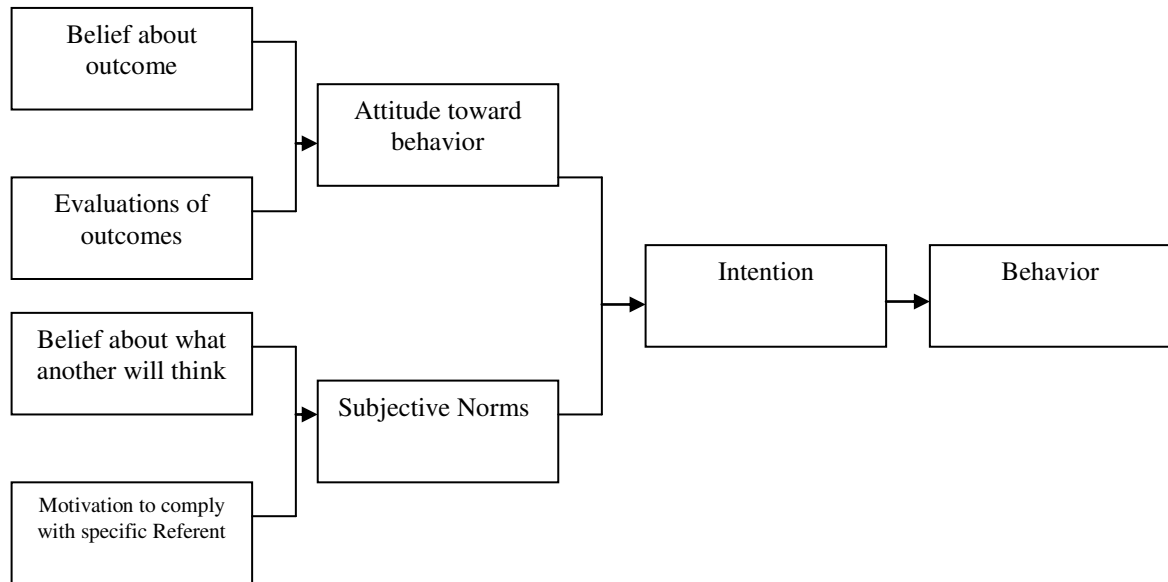
#### *Consumer Life style*

This means that the lifestyle of consumers is different and every individual tries to choose the product matching his/her lifestyle.

We normally investigate the phenomenon through these types of models and here we can also investigate to find out the formation of attitude and subsequently the behaviors.

#### ***Attitude towards Behavior***

Once the attitude towards the product has been developed, the chances of purchasing that specific product would become high. Once the attitude is developed, the behavior is developed, and once the behavior is developed, the chances of buying would become high. When we talk about the Theory of Reasoned Action, we come up with other model which is shown as follows:



This model has two sections: One is the attitude towards the behavior. This factor can also be influenced by our external environment which is in this model the impact of people who are observing your behavior and it is your assumptions and feelings that how they will feel about your actions. Therefore, we call it as subjective aspect. The other is the objective aspect which is the attitude toward the object model. Here we have two factors in the objective aspects; one is the outcome which you are expecting. Second is the feelings/evaluation of the outcome. If I buy certain product, how will it be beneficial to me and second point is how others will say about it.

### 3. Theory of Trying to Consume

It tries to study the factors where you are not able to buy or consume the product towards which you have positive attitude. This is more organizational oriented concept in which you are not often in a position to buy. May be due to unavailability of the product, you are not able to buy and service center suggested you to buy in the next week.

### 4 Attitude towards the Ad Model

It emphasis that whatever we do, we always try to communicate to the customer by using medium. It is different from the traditional concept we directly contact to the customer, here we use medium to communicate with the customers. The attitude created by the ad has direct impact on

the consumers and impact on their buying behavior. Many factors impact on the consumer senses to buy like advertisements, message communicated through advertisers, its aesthetics, communication ways and emotional appeals.

## **Attitude Formation**

Now we will be discussing how attitudes are formed? There are three important things:

- a. Cognitive framework
- b. Experience --- Attitude
- c. Generalization of stimulus

### ***Generalization of stimulus***

For example, offering new product under an old and established brand name but the most important thing will be can be generalize these results to the other products?

### ***Experience --- Attitude***

If I need any a medicine for a pain in head and visited a pharmacy and demanded let say medicine “A”, but representative said that the same is not available but he can offer me “B” which has the same function and I purchased that. If this “B” has fulfilled my requirement then it means I had a good experience. Next time, whenever I feel pain in my head, I may demand the same medicine because of a good experience.

### ***Cognitive framework***

It means I have information about the product and more information I have, more chances of attitude development are. In the concept of high and low involvement products, the attitude that has be formed with the result of intensive reading become stronger than the one which is low involvement.

## **Developing and Communicating a Positioning Strategy**

### ***Which positioning to Promote?***

- It has been suggested that if there is a similarity between the brand’s existing products and the new extension then the attitude will be stronger in terms of positive or negative.

- Second is the match between the image of existing brands products and extension. The image of a brand directly impact on the attitude development.

### ***Positioning: How many ideas to promote?***

Some time you face different problems in the positioning process. For example,

- Under positioning
- Over positioning
- Confused positioning

### ***Niche Marketing***

Providing a product to a market which is much specified. For example, Hush Pappies shoes are developed for specific people and they are more concerned people and create a positive attitude towards these shoes.

### ***Realism in Media***

Media plays an important role in developing attitude specifically electronic media. So marketers try to pass information on TV, Radio, Internet, and other forms of Medias to the consumers to build their attitude. The more you interact with the brand on media, the more strongly it will be able to influence the attitudes. The attitude of a low involved person may not be so strong but the person who has strong involvement has strong position in developing attitudes.

Let say negative attitude is created, so the question is what marketers need to do to convert into the positive attitude. We have four key factors to resolve this issue:

### ***Changing the Key Motivational Functions***

1. Knowledge Function
2. Value Expressive Function
3. Utilitarian Function
4. Ego Defensive Function

### ***1. Knowledge Function***

We understand that people like to know about things and about people before they come to a particular conclusion. This is a cognitive need or brand positioning. So knowledge function tends to show that your brand is different from the competitors.

### ***2. Value Expressive Function***

Attitudes express individuals' lifestyles and general value systems. Knowing the attitudes can help marketers to anticipate the values and outlooks, and reflect these lifestyles and characteristics in their products.

### ***3. Utilitarian Function***

It is normally related to the attitude which is created when we have used a product and found it useful – that it had utility for us and this will create positive attitude. Utility is tangible in nature which is different from the value. For example, tissue for drying hands, so utility could be sanitized.

In next lecture, we will be discussing key motivational functions in more detail and specifically we will focus on Ego Defensive Formation part. In this model, we are inclined to the intention to buy and our this intention will lead to the buying behavior

Intentions to buy are a mediating variable and mediating variable is the one through which action takes place.

## LESSON 21

## CONSUMER LEARNING PROCESSES

**Attitude (continued)**

As we have been discussing attitude, now as marketers, we are interested in how attitudes are changed? And we can change negative attitude to the positive attitude? There are number of ways through which we can change attitude:

***Ways to change Attitude***

- a) Associate with a group or personality
- b) Resolving conflicting attitudes
- c) Change motivational factors
- d) Altering components of multi attribute model – related to the object
- e) Change belief about competitive brand
- f) Routes to change – elaboration likelihood model

***a) Associate with a group or personality***

Assumption is that this link will create positive attitude. For example, cause-related marketing – companies' just don't make profit but also contribute for the welfare, thus ensuring the customers that the portion of their price will be given to charity organization. So many organizations associate their products to the cause which directly impact on the consumers' attitude and consumers prefer to buy those products.

***b) Resolving conflicting attitudes***

Many times conflicting attitudes occur, so marketers feel them and try to resolve. For example, I need a camera which can give me good pictures. I also know that digital cameras are better to fulfill this required so a conflict arises. Either to have conventional camera or digital camera. Both have their own pros and cons. Digital camera is equipped with advance graphics and is easy to operate etc. where as conventional camera is low in cost. So in this situation, I have to resolve this conflict. I might resolve it as; this time I will go for conventional camera and when digital camera becomes cheaper, I will buy that. So here I need to resolve the conflicting attitudes.

### **c) *Change motivational factors***

Motivation is a force by which consumers can achieve their objectives. It is of both types; intrinsic and extrinsic. Intrinsic means motivational force which exists to the inner side of the individual whereas extrinsic is the external force that impact on the individual's decision making. Here in order to change attitudes, we need to change the factors which are directly related to the motivation. There are different changing key motivational functions which are discussed as follows:

#### ***Changing the Key Motivational Functions***

5. Knowledge Function
6. Value Expressive Function
7. Utilitarian Function
8. Ego Defensive Function

#### ***4. Knowledge Function***

We understand that people like to know about things and about people before they come to a particular conclusion. This is a cognitive need or brand positioning. So, knowledge function tends to show that your brand is different from the competitors.

#### ***5. Value Expressive Function***

Attitudes express individuals' lifestyles and general value systems. If marketers understood these value systems, then the change would be easy to bring. Knowing the attitudes can help marketers to anticipate the values and outlooks, and reflect these lifestyles and characteristics in their products.

#### ***6. Utilitarian Function***

It is normally related to the attitude which is created when we have used a product and found it useful – that it had utility for us and this will create positive attitude. Utility is tangible in nature which is different from the value. For example, a paper towel is useful in the kitchen for drying purposes or cleaning surfaces. If a competitor positions a paper towel with germ killing facility, it will change the attitude of the consumer away from the original brand to the new brand.

### **7. *Ego Defensive Function***

Logic of this function is that, most of the people would like to protect their self image from inner doubts. They are more concerned about the things which they are using and care whether the things really suit them? So marketers try to bring some functions and attributes in the product and convince the customers that if they will be using this, they can be benefited.

#### **d) Altering components of multi attribute model – related to the object**

Customers some time choose the product based on different attributes. Here, we normally try to change the attribute which has been ignored by the consumers and is considered important by the marketers. So, marketers grasp this opportunity and highlight this attribute and bring the positioning up to the level. In this way, marketers change the relative evaluation of an attribute of their products and try to create its brand salience.

#### **e) Change belief about competitive brand**

We being marketers need to change the beliefs of the customers from competitors' brands to our own brands especially when competing brands become dominant in customers mind. For example, advertisement of Surf Excel in comparison of Ariel changes the belief of the customers to buy Surf Excel.

#### **f) Adding an Attribute**

Adding an attribute that has been ignored or adding an improvement in technology is also an important component in changing behaviors. For example, Yogurt has more potassium than banana. So, we can start highlighting that in order to increase potassium, you can buy yogurt. So this will add an attribute to the yogurt.

We have been discussing till now that attitude leads to the behaviors. Now let's see if behavior comes first and then attitude, so what would be reasons behind that?

#### **g) Behavior Proceed or Follow Attitude**

There are different aspects that need to be discussed but first we will start from cognitive dissonance theory.

### 1. Cognitive Dissonance Theory

CDT was given by Leon Festinger in 1956 which holds that there are conflicting thoughts or beliefs about the object. For example, you went to a super store to purchase some products and when you bought the product, you realized that there were some other products which could fulfill your requirement. So here, you faced a discomfort because of the conflicting beliefs. In this regard, you need to make strategies to cover up these conflicting beliefs.

#### *Strategies of Consumers to ignore the dissonance*

##### *1. Rationalizes*

After noting the things which create dissonance, consumer can try to rationalize the things internally so that he could meet the stable point.

##### *2. Seeks information*

He will try to seek more information about the product which he purchased and the same product of the competitors so that he could know more about the product.

##### *3. Tells Friends*

He may also start word of mouth promotion of the product if he is satisfied with that product.

##### *4. Seek out others*

He will also try to find the people who purchased the similar kind of product so that he could know more about it. Normally, it happens in the durable product categories but can also happen in small goods.

In the next session, we will discuss attribution theory.

## LESSON 22

## ATTRIBUTION

As we have been talking about the attitude in our previous lectures, now we will discuss about the attribution.

**Attribution Theory**

Attribution theory is the “subjective perception of causality, not necessarily reality, which influences outcome behavior” and it focus on an individual’s perceived causes of success and their direct and indirect effects on consequent behaviors (Cort et. al., 2007). For example, we want to donate money like Zakat, Sadqa etc. So, the important thing concern is to whom we give this specific amount. When we sort out different charity organizations, we finally decide to give to Edhi Welfare Trust. So here, we attributed our actions to Edhi because of the certain factors associated with it. We have given the amount because we rationalized that Edhi is doing good job and they will invest this amount for the needy people. We are giving this logic to the external factors where either attribute the things to ourselves or relate it to the external factors. So, there can be a number of factors for the attribution theory. Let us discuss three main factors:

**a. Self Perception theory**

Self Perception Theory was given by Baryl Bern which describes that people develop their attitudes by observing their behaviors. This theory is giving some contrasting thoughts then the other theory which says that attitudes come prior to the behaviors but this theory says that attitude is the resulting object of behaviors. For example, you purchased software to design Photoshop and you shared with your friends about that. Now you will come up with number of reasons to buy that like I know the crux to draw a picture as I am expert in this field – it is an intrinsic/ internal attribution. Or you can also say that the software is so good which resulted with good photos – here you are attributing external factors of attribution. Now if anyone realizes that the things happen is due to his personal capabilities but also accepting that the software or object which he is using has helped him a lot, so this behavior will lead to the development of positive attitude towards that specific object. Here, an important point for marketer is that they should try to develop certain things for their marketing campaigns through which customer would start relating the attributes of the products with their own or vice versa and such behavior will lead to the positive attitude development.

b. *Foot in the Door technique*

Let us explain this technique with an example. In America, there was a very rude chief executive of an organization who was not allowing the salesmen to talk with him not for more than five minutes. He was having a big project of USD. 200 million but it was very difficult for any salesman to secure this project because he was not ready to listen to the salesman more than five minutes. And in five minutes, it was difficult for them to convince. A company approached to a retired Salesman Mr. Murphy who agreed to go for a meeting with that chief executive but asked the contractor for two things: (1). He will charge 5% value of the total contract as commission (2). Contractors will not ask anything he is doing. Contractor agreed on these terms and conditions. Now Mr. Murphy asked the contractor to arrange air ticket to South Africa, he flew to South Africa and purchased a Butterfly of USD. 20, 000. He came back and called to Chief Executive that I would like to meet your son, he agreed and fixed time. Mr. Murphy reached to his office and saw his son was coming on wheel chair. When he reached in the office, Mr. Murphy opened his briefcase, took butterfly and asked his son, is it the same on which you have written article? He surprised to see that and accepted that his own is the same. Mr. Murphy said, I went to South Africa and brought this butterfly. Then, he took back the butterfly and went away. Chief Executive was very surprised to see that how this person is involved in his personal life and family. His son insisted him to buy this butterfly. He called Mr. Murphy back and asked him to sell butterfly to him, Mr. Murphy put the contract (that project of USD 200 Million) and asked him to sign. Chief executive signed the contract without any further discussion and he got that project. Chief executive signed the project because of the two reasons: (1). How much salesman is involved in his personal matters (2). If he could take pain of going to South Africa for the thing which his son is interested, he will complete the project in the same and better manner. The technique Mr. Murphy used was *Foot to the Door technique*.

c. *Door in the Face technique.*

Let us explain this by an example. Let's say a salesman went to the customer to offer mobile. Customer asked the price and salesman said that it is for Rs. 10,000. Customer replied oh! It's too costly. Immediately salesman changed his offer and said that he will give him memory card, a SIM and Bluetooth free. Now customer will think that the salesman is caring for me so his attitude will become positive towards that mobile. Here, salesman used Door in the face concept to attract customer towards his product. These concepts tell us what attributes we can add in our product so

that positive attitude can be built. These are important concepts through which attribution takes place. But here a question is how to test attribution?

### How to test attribution

Attribution can be tested through a number of steps: few of them are as follows:

- a. Test
- b. Consistently
- c. Consistency over time
- d. Telling to the friends

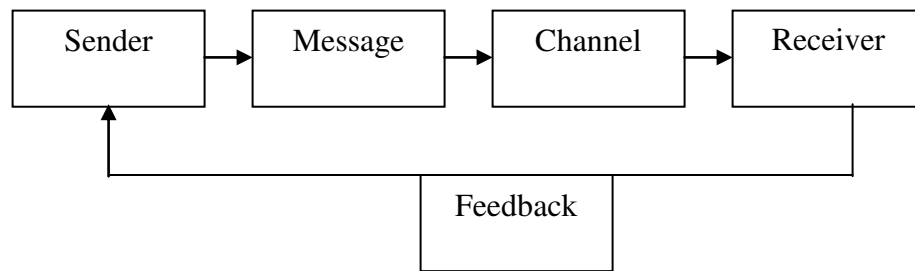
For example, you purchased a Grinner Machine – that is used to round the edges of table. When you will start using the machine, basically you are trying to get the perceived attributes which are to make edges in round shape. But using this one time may not create attribution for me that this machine is good enough. So I will do is to test the machine to 2 or 3 other tables and if consistently same results are coming then I can say yes this has good attributes. And same machine would be useful for benches, and other things which I will prepare. So we can get the same result over a period of time. And finally, I will talk to my friends that this specific machine is beneficial for rounding the edges of wood. So all these steps come from the logic of attribution which creates our attitude towards that product. We have well discussed the attitudes and attribution, now we need to know how these attributes are communicated.

### Communication

Communication is message from one person *sender* to another person *receiver* and main thing which travel from one place to another is the *message* which will be *encoded*. There are two main types of communications called verbal communication (oral, written), and non-verbal communication (gestures, postures, body language, facial expression). There are different components of communication which we will discuss later but let us discuss the communication model:

1. Sender – also called encoder
2. Receiver – also called decoder
3. Message
4. Medium – how will the message flow? It can be face to face or through some media etc.
5. Feedback – this is also very important component.

Communication Model:



We will discuss this model in next session in detail with relevant examples.

## LESSON 23

## COMMUNICATION

**Communication model**

As in the previous lecture, we have been discussing the communication model, so today we will further elaborate this model.

***Communication***

Communication is the flow of information and ideas from one person to another through a medium. The person who is sending the message is called *sender or encoder* and the person who receives information is called *receiver or decoder*. There are two things that are very important in the communication; message and channel. If the channel is reliable, the message is supposed to reach in a good shape. So as we discussed earlier, there are different steps in the communication process which are presented in the communication model as follows:

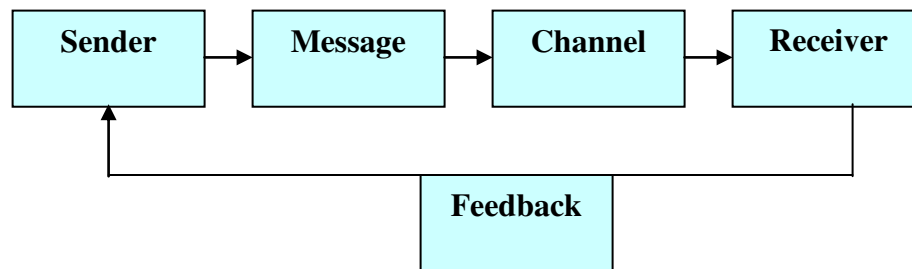


Fig. 1: Communication Model

**1. Sender – also called encoder**

Aim of the source is to inform, influence or persuade a person / customer to buy your products. Sender is a person at the back who is initiating the debate or sending the message. Message can be formal or informal. Formal source is like sending the message on TV, Radio, Newspaper, and other formal sources which have direct link to the organizations. Whereas informal source means the message sent through friends, word of mouth, and other informal sources. Being marketers, our main focus is to reach;

- *Target customers* – these are our direct customers to whom we send messages through difference channels of communications.

- *Unintended Audience* - Unintended audiences are those to whom we are not directly targeting like retailers, wholesalers etc. but they indirectly receive the message and build their perceptions accordingly.

## 2. Medium

Medium is the channel through which message travels from one place to other. Medium could be of different types like:

- *Impersonal Communication Channel* - like newspaper where there is no interaction.
- *Interpersonal Communication Channel* – direct conversation between two persons, like face to face conversation. This is very critical where the feedback process is very strong.
- *Direct Marketing and Direct mail* – where you can directly get in touch to the customers to convey your message
- *Websites and e-commerce* – this is an emerging way of marketing which has number of benefits like saving time for consumers, saving search cost and energy cost for consumers.

## 3. Message

Message can be of two types, verbal or non-verbal.

- *Verbal* – verbal can be of two types called oral communication or written communication. Marketers convey oral messages through direct marketing, interpersonal communication, face to face meetings and tele-marketing whereas they communicate the written messages through print media and newspapers etc.
- *Nonverbal* – symbolic communication like gestures, postures, facial expressions. In case of marketing, nonverbal communication includes the symbols, pictures, pictorial representation of the message etc.

## 4. Feedback

Feedback is very important component of the communication which tells whether receiver has received the message in the same manner as was sent by the sender and whether he/she understood the message as it was intended to be understood. It also tells the reaction of the decoder. If receiver is not giving the response to the sender, it is called silent feedback.

## Communication Process

As we know that the aim of our communication is:

- Make the market aware about the product or service
- Induce the market to purchase or try the product
- Get commitment
- Create positive attitude
- Give symbolic meaning to a product
- Show how it can solve the problem better than other competitive products

So, we also need to know that how the communication takes place.

### Initiator or Source

An initiator initiates the communication by sending a message to the receiver. Aim of the source is to inform, influence and persuade a person to buy your product. There would be of different types of factors takes place:

### *Decisions*

- who will be the target market
- to whom is the communication intended for
- what will be the message

### *Actions*

- Encode the message in such a manner that the other can easily understand what a marketer is saying.

### *How*

How will it happen and how marketers can through this message to the target audiences is also a very important part of communication. So, marketers need to develop the message and transmit it to the audiences in such a way that it could be understood as it was intended for them.

- develop – by developing the message as the requirement
- Transmit – transmitting the information through a proper channel

***Encode***

Encoders need to understand and give feedback to the sender. They can use same channel or different channel for feedback. Important thing is; whatever we are communicating, this should reach the audience as it is and the audience can understand it properly.

***Source:***

It can be done through formal or informal sources. E.g. By buying space or time in selected media like TV or Radio to advertise or broadcast message for publicity. The most important point for all above information is the credibility of the information.

**Credibility**

Actually credibility affects decoding because if receiver didn't perceive the information credible then the purpose of communication will not be fulfilled. Because perception of consumer will be developed through a reliable source, right information at the right time and in addition to information should be understandable. If positive perception is developed, then the credibility of the information will be more which will help the customers to choose the right brand from a bunch of brands available. For example, salesperson is giving the information which really benefit to the customer, so customer will perceive it more credible as compare to the information concerning to the individual himself.

***Credibility of Informal Source***

The influence of informal source like friends, neighbors, and family is more considered as reliable because the communication of these individuals for a third brand has number of the personal interests so most probably they will be telling the true facts. Positive word of mouth becomes the strong source in building credibility. Similarly, opinion leaders have more positive impact on brand credibility. Opinion leaders are normally more aware about the product categories and evaluate the things by their own experience hence they have more positive impact. Now question is why people involve them in word of mouth? Actually customer becomes personally involve in the product which has concern about the organization. Similarly, they get psychological satisfaction by getting more and more information seems to be an expert in that area and then they would like to share it with others. They also have post purchase behavior dissonance which encourages others to buy the same product. Further they would like to become helpful to others. And finally, they can also get

sample or commission from the organizations. On the other side, negative word of mouth can also be developed if customer is not satisfied with the brands. So they will hardly recommend it to others. For example, negative word of mouth of Norway's products was spread in the Muslim world after they showed of blasphemous caricatures.

### ***Credibility of Informal Source***

We have already discussed about the formal source, but the credibility of the formal source may be to some extent low than informal organization. There are two types of organizations, profit organization and non profit organization. The credibility of non profit organization is relatively high as they are inclined for the benefits of others. For example, Edhi who is working for the welfare of society, so people consider it more credible. On the other side, for profit organization, sometimes people think that they are working for their own benefit so may not consider them as much credible. But third party can also influence the credibility of the organization. For example, publicity by the cricket stars or film stars etc. The more reliable a person is, more credible information will be considered. Therefore, it is very necessary for the marketers to choose a more reliable person; celebrity to endorse with the brands. For example, Cancer campaign and the endorsement of a celebrity – so in these types of campaigns, organizations must be very careful because the more reliable a person is, more credible the organizations will be considered. Hence, it is very important to choose reliable source, channel, person, object, partner and information to make your brand more credible.

## LESSON 24

## BRANDING

**Credibility**

In addition to the communication model, today we will be discussing the impact of communication on credibility.

**Credibility of the source**

Source credibility is the positive characteristics of the encoder which positively effect on the decoder's acceptance of the communicated message (Ohanian 1991), and it is used to determine the persuasiveness of a message (Petty and Cacioppo 1986). Marketers try to seek those sources which have good reputation in the market. Source of the message is normally the organization but there is a source person who transmits the message to the customers. Organization uses other objects to send the message to the target audience.

**Credibility of the Commercial Source**

Commercial source means the information conveyed through media by advertisements. Credibility of the commercial source rests on:

- *Past performance*: Past performance of the organization has lot of impact on the credibility of the information
- *Reputation in terms of known quality*: Perceived quality is the major construct in building brand equity.
- *Quality and image of other products of the organization*: Not only the product which you are promoting but also other products create credibility.
- *Brand equity*: It is simply defined as a “value added by a brand name to a product” (Keller, 1993). He has identified four dimensions of brand equity named as brand awareness, brand perceived quality, brand associations, and brand loyalty.
- *Image or attractiveness of spokesperson / brand ambassador*: It is assumed that personality impact a lot on the brands. E.g. Ali Zafar is the brand ambassador for Mobilink Jazz which positively impact on the credibility of the brand.
- *Type of outlet used for selling / retailing*: Type of outlet also matters a lot. If outlet is good in design and environment, it will add to positive brand credibility.
- Taking a position of social responsibility in the communication improves credibility

## Spokes Person Credibility

Spokes person is the one who speak positively about the brand like public relations manager etc. We, being marketers, need to be very careful in selecting spokes person as the effectiveness of spokes person related to message speak the credibility of the brand. For example, if your message is technical in nature or is about technical product and the spokes person selected is a cricketer. So, people know that this person is not expert technically and will not rely on him. Hence, we must focus that the message and spokes person are congruent.

- *Synergy between endorser and product*

It is also important to note that there is a synergy between endorser and product. For example, toothpaste endorsed by a dentist is synergy between the endorser and the product. Attractiveness is related with physically attractive models but it does not suit for every product category. For example, we want to buy a camera, in this case a good photographer can be more relevant to endorse this product rather than a model. We are more conscious about the quality of the results.

- *Synergy between endorser and target market*

Synergy between endorser and target market is also an important component. For example, if Shahid Afridi is endorsed for Pakistan Railways, there is no synergy between them however synergy of Shahid Afridi and Pepsi is acceptable.

- *Synergy between endorser and ad - vs. corporate and vs. brand*

Spokes person can not replace a corporate brand. For example, if a corporate brand is well known then a person who is attractive may not be able to contribute to the credibility as people already know about that brand.

- *Synergy between words and product*

For example, Tennis star might talk of pain killer/ relieving gel and how effective it is on pain; but cannot be believed if he gives the chemical details of the gel.

## Endorser Credibility

Quality and credibility of the sales person is also very critical. It is said that even the way sales person approach to the customer that has an effect on the customers. So, sales persons should be

credible. For example, you are going to sell a car or motorcycle will raise a question for the customer to choose the car you are selling or not. Therefore, sometimes sales persons are given good dress so that he/she could have an impact on credibility.

### **Message Credibility**

Message has to be believable. Positioning also impacts on it. For example, if you initially position your product to elite class but your product couldn't get success in this specific target market. Then you have planned to target to the middle class, at this point of time, when everyone is aware that your product has been failed in the market, no one will be willing to buy. So, sudden change in the position and message can also create a question mark for the consumers. Similarly, the credibility of media also impacts a lot. For example, advertisement in Dawn and in Dophair Newspaper will apparently create a difference in the minds of consumers.

### **Effect of Time on Source Credibility**

Credibility impact is not forever, it changes over a period of time. If information was passed two weeks back and you went to purchase product today, there are chances that you forget some of the information, so you may not consider that brand as credible. It has been researched that both positive and negative affect remains for six weeks. If we observed that due to source or person's credibility, our image in the market becomes negative, we can change the source or person at any time and can convert negative image to the positive image.

### **Mood**

Mood has also an impact on the decoding of the message. It is also considered as an important component in marketing and helps a lot in deciding about the message. For example, a person, who is *cheerful* or *happy*, will try to see humorous ads rather than emotional ads. On the other side, if any one is unhappy, he will consider that ad accordingly. For example, the ads of cosmetics, drinks, fashion and perfumes require focusing on feelings and emotions. It is not only the ads and message moods, but also the moods of the consumers have an impact.

## LESSON 25

## COMMUNICATION STRATEGY

**Barriers of Communication**

No matter how effective the communication system is, barriers normally occur in the communication. This can be caused by number of factors like

- *Physical barriers*

These can be the nature of the environment, noises around the place where communication is taken place, poor lighting, and improper technological arrangements etc.

- *Psychological Barriers*

This may results from person's personal discomfort. For example, poor power of listening, poor eye sight, or hearing difficulty etc.

- *Individuals Linguistic Ability*

The use of difficult or inappropriate words, poorly explained or inappropriate messages, use of jargons etc. become the barrier in communication.

- *Feedback loop*

Feedback is an important component in the communication process. Since the goal of communication is to create awareness and to measure whether the awareness has been created or not, marketers need to conduct research to know about the feedback of the customers. For example, a message about the discount offer was floated in the market, now increase in selling will tell the positive or negative feedback. If there is an increase in selling, it means the feedback is positive and vice versa. Feedback is provided in the shape of interpersonal communication and increase or decrease in selling. After getting the feedback, being a marketer, we need to again focus on our strategies. Being good marketers, we need to be sure that our message is properly understood by the audience and will be given a good feedback.

Marketers need to decrease the possibilities of barriers so that the message can be properly transmitted to the audience. This can be done to measure the feedback. There are number of techniques to measure the feedback, few of these are discussed as follows:

## Advertising Effectiveness Research

Marketers need to conduct research about the effectiveness of the advertising. One way of observing the effectiveness of advertising is by comparing pre-ad sales with the post ad-sales. If there is a positive difference, it means the advertising remains effective. For example, retailers: ads for 'seasonal clearance sales' can be easier to find. If the material is sold immediately, it shows the effectiveness of the advertisement.

### Measure of exposure

Two areas are to be measured:

- How many saw the ad
- Who saw the ad

To know about this, we need audience profiles including demographics, segments etc. this detail will help us to find out the choices of the consumers and then we can devise strategies accordingly.

### Message attention

One of the important objectives of advertisement is to capture the attention of the consumer for which marketers need to create contents that can be used to capture the customers' attention.

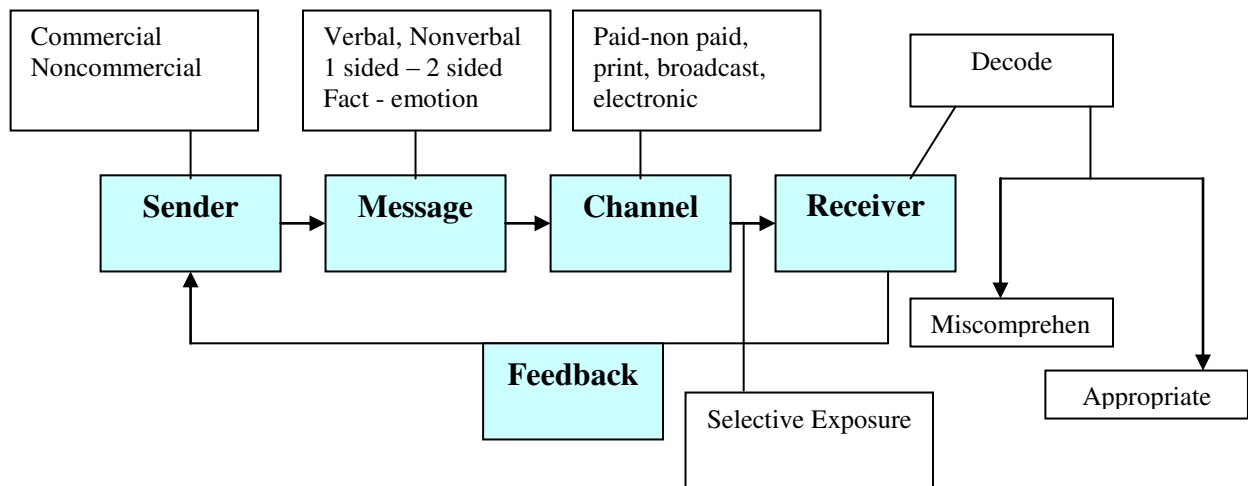
Different methodologies are used for this purpose. For example,

- *Eye Tracking* – store shelves placements have become a science for catching eyes. Cameras normally watch the eyes of the consumers where their eyes stay and that specific place is considered as important for placement.
- *Movement of facial muscles* – facial expression tells about the feelings of the consumers once they watch the advertisements. For this purpose, facial Electromyography is used to observe the feelings of the consumers about the message.
- *Message Recall and Recognition* – these aspects are used to know about the awareness of the product in customers. It is normally measured by asking consumers to recall the commercials they have watched. If the person remembers the advertisements but your advertisement couldn't be recalled at that specific time, so you need to pay more focus on the advertisement, its content, design and other features so that when a category of advertisements are asked, the customer can easily recall. Similarly, recognition is something

where you show them some cues and ask the audience to recognize what these cue relates to.

## Communication Strategy

Now we need to discuss communication strategies. As we have discussed the communication model in previous lecture, now we would like to discuss it through communication strategy perspective:



Sender can send the message through commercial or non commercial channel and the message could be verbal, non verbal, one sided or two sided, and it can be based on the facts or emotions. Whatever the type of message is, it should be based on the facts and figures and should be communicated in a proper manner. Apparently, it will pass through a specific channel which can be paid or non-paid, broadcasted or electronic. If the channel is appropriate, the likelihood of proper communication would be high. Receiver will decode the message. Positive feedback is expected if decoder received the message in an appropriate way and if he/she received miscomprehended message then the feedback would be inappropriate. Therefore, while communicating, the following points should be clear.

### 1. Objective of communication

As the objective of communication is to create awareness, so proper focus on above model should be given so that the awareness can be create din a proper way.

## *2. Select Target Strategy*

For good communication, we need to pay focus on our target market and to select strategy accordingly. For this purpose, we need to see the demographics, and other important components related to target market so that an appropriate message can be drawn for them which should be understandable for them.

## *3. Select Media Strategy*

Choosing an appropriate media is very necessary. For example, your target market is rural area where no electricity is available; TV will not be an appropriate channel to advertise.

## *4. Select Message Strategy*

To select message strategy, we need to focus on framing of the message. Sometimes framing is positive oriented and sometimes it is negative oriented. In positive framing, positive benefits which can be secured are normally shown in the advertisement where as in negative framing, negative things which can occur as a result of not using that product is normally shown.

We will further elaborate this strategy in detail in next lecture.

## LESSON 26

**MARKETING COMMUNICATIONS AND ETHICS****Communication strategies (continued)**

In previous lecture we have talked about the communication strategies where we have discussed about the objective of communication and how to select target strategy. Today, we will discuss further steps of communication strategies as follows:

**Select Media Strategy**

Media strategy is concerned with how messages will be delivered to the target consumers. For a good marketing strategy, marketers need to identify the characteristics of the target market, and characteristics of the media that can be used to deliver the message to target market. Different channels of media can be used to deliver the message to the target audiences like advertising on TV, radio, print media like billboards, newspaper, magazines, and internet etc. For this purpose, advertisers need to develop profiles of their target customers including specific media they read or watch and then decide which mode can be the best to use. Decision about the selection depends on the product/service and the marketing objective.

**Select Message Strategy**

Message is an idea, thought, attitude, image or other information that senders want to convey to the receiver or the target market. Sender must know what is to be said and how it is to be said. Message will be different for different target markets, for example, the message which is communicated to the business manager will be obviously different than the message for students. Similarly, message for rural area target market must be different than the one which is for urban target market. Important thing is that the message should also match the characteristics of the product. An important thing to know is about how we persuade the message so that they can decide about the product. For this purpose, we have an elaboration likelihood model where we need to focus on high involvement (central route to persuasion) and low involvement (peripheral route of persuasion).

- ***Structure and Presentation***

When we talk about the structure of the message and its presentation, we need to pay little attention to the concept of Resonance Theory.

It is normally used for visual creation so that the message can be recalled. For example, when you are sitting on a bus to have a long travel, there are chances of vomiting and when you take the seat belt, you observed that the shape of buckle is like a tablet used for vomit protection. Hence you recalled the medicine. In resonance theory, we normally create some interesting scenario so that the specific message could be recalled.

- ***Message Framing***

You can frame the message by giving the positive things as well as negative things. Positive frame means that all the arguments which you give in are desirable for your target audience. Negative frame would be when you say what the person will lose if you do not use them. For example, you send a message to the target audience about the negative effects of Cigarette by saying Cigarette will destroy your health. Again it depends on the type of individual, consumer attitude and product characteristics. If an individual think about his self image, he will perceive positive frame and will look what are the things that can give him benefits. But negative frame will be quite dominant for them who are looking to the external factors. While talking about the time, research suggest that if there is more processing time then we go positive frame whereas if there is less processing time then we go for negative frame.

- ***One sided vs. two sided***

This concept talk about whether we communicate only one thing which talks about the positive characteristics or we can talk about the negative sides as well. By two sided we mean the situation where customer can see the counter claim. It is suggested that if customers can counter claim your message then both positive and negative frames can be used and you can balance out the information. For example, hair oil making company who promoted their oil by saying that our oil will grow the hairs. Result show that 60% customers say they felt growth in hairs, 34 % observed small growth and 16% observed no growth. Here, actually company presented the negative frame also by saying that this oil is useful for every body and if any competitors make the counter statement that there are some customers who didn't get any advantage, then this will be very dangerous for oil making company.

### - ***Comparative Advertisement***

Some people don't like this advertisement. But there are certain advantages of using comparative advertising. By using this advertising, it is easy to get compete on basis of positing. It also helps in selecting the target market. For example, you suggest the things which are not advertised by the competitors.

Negative thing is most of the people say that using competitive advertising is recalling the customers about your competitors so it is not good. It also say that comparative advertising mislead the customers. For example, if you say 'we are number one'. So it is hard to say number one without significant proof and customers know it very well who is number one in that specific product category. So these types of statements will negatively impact on your brand.

### - ***Order effects***

It means whether you place your ad in the beginning, in the middle or at the end. Each area has its own effectiveness. Normally it is considered that ads in the first page or last page are very good because people often see these pages more carefully. First page ad is considered as Primacy effect and last page ad is considered as Regency effect which says that last ad will have more effect. So we need to take care of these issues in order to place our advertisement in the right place.

### - ***Repetition***

Recall and repetition is linked together. Therefore, you need to float the message again and again so that the message could be easily recalled by the target audience.

### - ***Advertising appeals***

We can use different types of appeals in our advertising like fear appeal, humor appeal or the abrasive appeal. Now we will discuss each one in detail.

#### ○ *Fear*

In *fear*, we can produce two different sides one can be mild fear which means touching the scarce areas of the person's life and other is strong appeal. And it is considered that if you pay focus too much then people will start rejecting.

Sometimes people take *immunity* types of personal disaster where they strongly believe that this can not happen to me. Another situation where people use *diffusion* to satisfy themselves. For example, if any one asks a chain smoker not to use cigarette and he replies that I am using filters. So here, he is trying to use diffusion to satisfy his inner feelings. This kind of approach helps the person to avoid dissonance.

- *Humor*

*Humor* is considered more persuasive appeals and is more effective than fear. In Pakistan, mostly ads are humorous which vary from audience to audience.

- *Abrasive*

Abrasive is the one when you show unpleasant kind of scenes such as showing insects or showing inside of stomachs for heartburns, clogged nose etc. These are not appealing advertisements so are not exciting for the customers.

This is the end of this lecture; in next lesson we will discuss marketing and communication ethics.

**LESSON 27****INFLUENCE****Communication, ethics and reference groups**

As in the previous lecture we have discussed the communication strategies which were as follows:

- Objective
- Target Market
- Media Strategy
- Message Strategy
  - Encoding
  - One Vs. Two sided arguments
  - Involvement Theory
  - Comparative Advertising
    - Fear
    - Humor
    - Abrasive
    - Gender (Use of gender in the advertising. Research says that there is no specific impact of gender on the advertising output)

Now we are moving to the next part which is very important and is called ethics in communication and reference groups. Being a marketer, we need to be very careful about the language that we use, the wording which we select, and norms, values and rules in communication.

**Marketing Communications and Ethics**

It is very important to consider ethics while making communication. Also being marketers, we need to take care of the things that are useful for the society. For example, late night packages offered by phone companies are spoiling educational activities. So, it is an unethical exercise being practiced by the telecommunication organizations. We also need to be careful in using language that should not directly impact on the individuals or groups' character.

## Reference Groups and their Influence on Consumer Behavior

First of all we need to define what a group is:

### - Group

Two or more people who interact whether in an intimate setting or in a formal work place. There is one sided group and two sided groups. One sided means the models in advertising are communicating with the customers on one sided basis where customers can see the message but can not respond. So, these groups in the later stage become reference groups.

### - Reference Group

Reference group is the person or group which serves as point of comparison for attitudes and values or guides behaviors. Researchers interpret reference group as any group that individual use as standard for evaluating themselves and their own behavior. These groups are of two types

#### ○ Normative Group

Normative group is the group who effect behaviors directly like family, say in food or dress code, and influence the development of basic behavior.

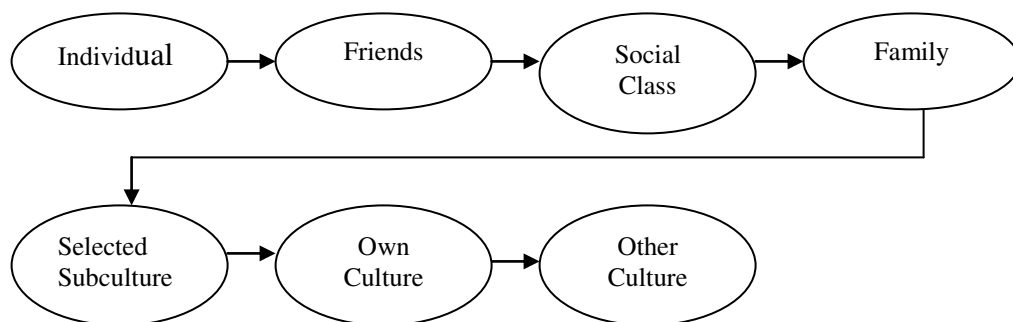
#### ○ Comparative Group

Comparative group is the one to whom you compare your lifestyle and see the difference and then try to adopt the things which you do not have. For example; Neighbor whose life style is admirable and worthy of imitation in furnishing etc, so you also try to adopt the same things.

There are certain other factors which try to affect the influence of these reference groups on consumer behavior.

### Factors that affect influence

Researches have found some factors which directly or indirectly affect the influence on the groups which are described as follows:



The above diagram shows the groups which influence the consumer behavior. But researchers have elaborated another three components which influence the influence of these groups on consumer behavior.

### ***1. Information and Experience***

If we have an experience of using the product or service then we don't need to get information from anyone. But if I didn't experience the product or service yet, then we need to get information from any individual or group who has experience that specific product or service.

### ***2. Credibility Attractiveness and Power***

Credibility plays a very important role in building behavior. If reference group itself is credible, customers will tend to be more influenced but if the group is not reliable, it will have negative impression of product / service on the consumers' behavior. Therefore, being marketer, we need to investigate the groups, their credulity and the customer's perception about these groups before relying on them.

### ***3. Conspicuousness of the Product***

Conspicuousness means the visibility of the product or brand that we are using or promoting. If our product is very conspicuous, and we want to associate it with a particular group then obviously that group behavior will have strong influence on our behavior. And group's choice will become my choice. For example, Land Rover is a car normally used for trips and to have thrill. Since this product is more conspicuous, we will be more influenced by the behavior of the group who is using this car. On the other side, if we use the product privately then we will not be so concerned about the group. For example, if I am using shaving cream then it is something very personal, in such case, I will not be concerned about any group.

Marketers normally use these reference groups that there is some conformance taking place. Reason is that these groups are influenced by the group behavior. Idea of conformance is why consumer should conform to the group behavior

## **Group Influence**

For example, if we send a message to the consumer about the car that progressive managers use this car. So, anybody who would like to be progressive and show themselves as progressive will try

to use that specific car. But marketers need to see how much the group is strong. There are certain factors involved:

- They should be able to inform and make the consumer aware about the product.
- They should be able to provide opportunity to the individual to compare his thinking with the attitude and behavior of group.
- There should be some influence on the individual to adopt attitude and behavior consistent with norms of group.
- Decision should be legitimized to use the same product. E.g. in a club where the requirement is to use black tie, individual needs to be informed in advance so that he/she can use the same. Here, he/she should have to adopt the rules of that specific group thereafter will be allowed to go in. So, this group has a strong influence on the behavior of member who wants to go into the club. On the other side, if a new brand is going to be launched, then it is the responsibility of the market leaders to ensure conformance.
- A new brand may go the other way and ask not to follow the crowd but to be individualistic.
- Market leaders attempt to use reference groups to ensure conformance. For example, mobile company will try to show them market leader so that customers should stay with them, but new entrants will act as challengers to market leaders and will try to get consumers to break tradition. So, it is the norm of industry that leaders always try to keep the customers with them but market challengers try to break this habit.

### **Selected Consumer Related Reference Groups**

There are six types of groups that we normally have:

1. Friendship groups
2. Shopping groups
3. Work groups
4. Virtual groups and communities
5. Brand communities
6. Consumer action groups

### ***1. Friendship groups***

Friendship groups are unstructured, informal, and lack authority levels. These groups are most likely to influence purchase behavior. These are important for brands, for example, in selecting clothing, jewelry, and snack foods etc. This group has direct effect on consumer behavior.

### ***2. Shopping groups***

These groups normally perform very important functions. These groups normally offshoots from family and friends and go for shopping. These groups have social get together where they can have fun with shopping. These groups reduce risk and operate the defensive mechanisms for us if we don't know about the product. Other than this, there are some customer referral programs where member gets member and get their commission which is also called multilevel marketing.

### ***3. Work groups***

Work groups have two categories, one is the formal work group and other is informal groups. Formal group is the one to whom we meet in the organization and discuss official things. These groups influence the behaviors through regular contact. On the other side, informal groups which normally formed during tea break, lunch break or in smoking rooms. These groups also have an influence on the behaviors. In these groups, there are more chances of sharing information about the products.

### ***4. Virtual groups and communities***

These are the websites, online social networks who get together on their areas of interests and share the information. Communities are defined as a set of social relations among people and virtual communities are online groups. For example; on facebook, twitter, linkedin etc. where groups share the information about the products and business, and hence their behavior is influenced by these groups.

### ***5. Brand communities***

Brand communities are now becoming very important area in marketing. Marketers know that when you put the individuals in a community and target your brand accordingly, there are more chances of getting the things done in a positive way for your brand. For example, Harley Davidson

creates a brand community where interested people are trying to put themselves by using the motorbikes of this brand.

#### ***6. Consumer action groups***

These groups normally protect the consumers from the things which are not useful for them. For example, if you got a product which is not good for you, then you will try to protect your friends, family and the group to whom you belong from using the harmful products.

## LESSON 28

## MESSAGE STRATEGIES AND APPEALS

**Different kinds of appeals**

As in the previous lecture, we have discussed about the reference groups. Now, we intend to discuss the kind of appeals that impact the consumer behavior. There are different types of appeals which include:

- Celebrity appeals
- Expert appeals
- Common appeals
- Trade and spokes character appeals
- Respected retailer appeals

**1. Celebrity appeals**

Celebrity represents an idea life style that people imagine they would love to live. There are some important facts behind that. Companies spend huge amount of money for the celebrity endorsements. A research found that in USA, around 25% of commercials use sports and other celebrities. If we see that ads in Pakistan and India, normally organizations use cricket stars, and film stars in their advertisements. For example, Michael Jordan has a contract with Nike till 2023 where he will endorse Nike in their advertisement. Similarly, David Beckham had a contract for 68 million dollars with Gillette. These celebrities are using different appeals to endorse the brands.

Some of the types of appeals are as follows:

***Types of appeals***

- Testimonial

Celebrity verifies that the product which he is endorsing has been used by him personally and he guarantees that the product is of good quality.

- Endorsement

Endorsement is using his pictures in the advertisement which is also called celebrity endorsement.

- Actors

Celebrity come on the television and promotes the product by using their own credibility, character and relates themselves with the brands.

- Spokesperson

Spokespersons have long term contract with the brand and normally called brand ambassadors. For example, Ali Zafar is the spokesperson of Mobilink Jazz. There are certain issues with the types of appeals which are discussed as follows:

### ***Issues in Appeals***

- Characteristics of the product.

It is not necessary that every product should be endorsed by the celebrity. For example, computer – there is no need of using celebrity whereas for shampoo, celebrity has a strong impact.

- Characteristics of the celebrity

Celebrity should be chosen based on some characteristics. For example, they should be famous, talented, credible, and they may have charisma. Because the consumers perception will be developed as per the credibility of the endorsers. If endorser is not credible and have no charisma then he/she will have negative impact on the consumers' perceptions.

- Number of products endorsed

There is another issue that celebrity at the same time is promoting number of products. This creates the issue of credibility. For example, Shahid Afridi is promoting Cheeta Shoes and PEPSI at the same time. These types of issues can badly impact on the consumers perceptions.

- Endorsers have a positive impact on word of mouth.

A research found that endorsers have a strong positive word of mouth influence on the consumers. For example, if women athletes are used in the advertisement, it will create positive word of mouth among women and specifically women will be more inclined towards that brand. Another research shows that female spread more word of mouth than men.

- Credibility of the celebrity

Credibility depends on two things

- Perception of expertise of the celebrity
- Trustworthiness of the celebrity

## 2. Expert appeals

Expert appeals mean using the expert in that specific area for your brand. For example, using dentist for toothpaste who share technical attributes about the toothpaste. Hence people rely on that product more.

## 3. The Common Man

Most of the consumers are very common people who use different products and other people try to relate common people with the product.

### a. The Executive or Employee

Sometimes executives are used for the promotion of the product. For example, Karegar is using its owner for the promotion appeals.

## 4. Trade or Spokes Characters Appeal

Sometimes registered Cartoons are used for the promotion, for example, McDonald's is using Cartoon for the promotion of its products.

## 5. Respected Retailers Appeal

Sometimes retailers are also used as spokespersons who keep your product on the prominent shelf.

## Influence of Family

Family over a period of time change but there is some kind of impact which continues. So, we need to define family as two or more persons related by blood, marriage or adoption who reside together. Families may be referred to as households but households are not necessarily families. Families are of different types:

### a. *Nuclear Family*

Nuclear family is the one where husband, wife and their children are living.

### b. *Extended Family*

Extended family is that one when one grandparent lives with them.

### c. *Single Parent Family*

Single parent family is the one where only either father or mother is living with the child. It can be due to divorce or death.

Actually there are changing patterns in the families so marketers need to understand them. For example, the children grew up and become parent so their buying choices and life styles etc will be different. Hence, the marketers need to understand the family values and devise strategies accordingly to meet their needs. Basic values and behavior, more importantly religious values need to be considered while making marketing strategies.

***d. Consumer socialization of children***

Consumer socialization of children is the process by which children acquire the skills, knowledge and attitudes to be consumers (disposing). For example, family is going for shopping where children are also part of the group and family normally tries to control the behavior of the children while making shopping. But this is not generalizeable, as all children are not identical, and have same values, so culture impact a lot on the behaviors.

***e. Adult Consumer Socialization***

Adult's socialization process also changed with the passage of time. Adults in teenage behave differently, in University age differently and after getting married, they behave differently. So, marketers also need to understand them accordingly.

***f. Intergenerational Socialization***

Most of the families refer / pass the specific brand to their next generation. For example, mother advice to her daughter to use Habib Cooking Oil; hence this specific brand is passed from one generation to the next.

Families also perform other tasks. For example,

***g. Economic wellbeing***

Families take care about the economic wellbeing of the next families where they advice them to go for economic stability. For example, in Pakistan, people advise their children to go to the developed country like USA and UK etc. to be economically strong. So, children start behaving in the same framework.

***h. Emotional Support***

Sometimes parents put pressure on the children in their study. This pressure will certainly have an impact on the children which on later stage also reflect in their personalities.

## Family Decision Making Roles

Each family has its own decision making process but again that depends on and caused by some factors. For example,

a. Influencers

Influencers are the ones who initiate and provide information to other members about the product. For example, one person gives information about the HP Laptop and advice his/her family to purchase the same.

b. Gatekeepers

Gatekeepers are the persons who control the flow of information. They may encourage the influencers to bring more information about the product. For example, son came and says HP Laptop new series is very good (he is influencer) but his elder brother said this information is not enough. You have to get information about its guarantee/warranty and its technical specifications etc. (his elder brother plays the role of gatekeeper).

c. Deciders

Decider is the one who will finalize the decision about him buying or rejecting that brand. In our above example, let say father is the decision maker and he will finalize either to buy the HP Laptop or not.

d. Users

User is the person who will finally use the product. For example, the father buys HP Laptop for his daughter, here daughter is the user.

e. Preparers

This is another category which prepares the product. For example, child buys bread and mother is preparing sandwich.

f. Maintainers

Maintainers are responsible for maintaining the products, keeping it clean and repairing when it damages.

g. Disposers

These are the persons who carry out and dispose the product. For example, throwing the damaged into dustbin, or using it for recycling, or selling second hand products.

All these types of persons are very important for marketers and marketers have an opportunity to influence their behavior.

**LESSON 29****SOCIAL AND CULTURAL DIMENSIONS****Family decision making and role of children**

In the previous lecture, we have discussed about the families, their influence on decision making and role of family in decision making. Today, we intend to discuss the dynamics of family decision making, extending role of children in decision making and family life cycle.

**Dynamics of Family Decision Making****Husband Dominated**

In some families, husband is dominated and making the decision. In Pakistani rural areas, specifically husband is the decision maker.

**1. Wife Dominated**

On the other side, in some of the families, wife is dominated and has decision making authorities. Specifically in western world, wife is dominated and makes the buying decision. Similarly, in some of the families of urban areas of Pakistan, wife is dominated and has decision making authorities.

**2. Joint Decision Making**

Some of the families have joint decision making systems where husband and wife mutually agree to purchase something. This can be one of the best decisions making because here brain storming has taken place and thus, has more chances of the right product selection. But this all depends on many factors which are as follows:

- ***Cultural orientation***

Cultural orientation as well as rural and urban division within a country. In USA, joint decision making is preferred but in Japan, normally it is father who is involved in the decision making process. Similarly, in Pakistan, again there is different decision making process. For example, in

urban area, joint decision making whereas in rural area – the decision is made by father in most of the cases. Not only this, type of product also has influence it.

- ***Types of products***

In case of Pizza, the decision making process will be different as compared to the decision for Car, children toys, washing powders for cloths and other household related products.

## **Expanding Role of Children in Decision Making**

It has been researched that about 40 % consumption is by the children. It depends on the types of families. There are two types of families; one is where children are involved in the decision making, on the other side, children are not involved in the decision making process. When we look to the western world, we observe that there is lesser number of children who have more influence. For example, China, where according to law, you can not have more than one child. So in this case, children have more influence. On the other side, the families where number of children is high let say 4 to 5, then the influence of the children in decision making will be comparatively low. Children use different types of tactics to influence parents for shopping. They use:

- ***Pressure***

They put pressure on their parents to buy the things which they like.

- ***Push idea upward***

Children use the idea upward technique to convince father, mother or elder brothers to buy the products which they like. For example, they ask mother that I want to buy this specific toy because my father asked me to buy this or my elder brother asked me that this type of toy is good.

- ***Exchange***

Children use the barter system for buying the product of their choice. For example, they ask mother that I will complete my schoolwork if you could buy that toy for me? Or young daughter

says that I will clean drawing room if you ask for Pizza Home Delivery service to deliver Pizza today. So, they work on give-and-take technique to convince parents to buy the things.

- ***Coalition***

Sometimes, children jointly decide the things and demand from their parents that we all want to buy this specific product. For example, they jointly decided to buy a remote control aeroplane, so they started demanding and convincing their parents to buy for them.

- ***Ingratiating***

Children convince their parents that he/she is have done nice in the school so he/she deserve to buy that specific product. For example, a boy who is in 3<sup>rd</sup> class and got 1<sup>st</sup> position in the class, now he started demanding bicycle by convincing parents that as he has done good job, so he deserve to get a gift .

- ***Rational Appeal***

Sometimes, children have logic and complete information about the product and ask their parents to buy it. In these days, they normally get all the information from the internet and influence their parents to buy that product as it has very good features. For example, they started demanding HP Laptop by telling the parents about its features, functions and quality.

- ***Consultation***

Sometimes, children try to incorporate the parents in the discussion by saying that if I am interested in buying this product, then what do you suggest. Here, they are not only convincing the parents but tries to involve in the decision making process by giving the parents logical reason. So parents normally become more amenable to buy that product.

Again, it depends on the areas of the choice, and products which they are inclined to buy. In case of car, normally father's decision is considered as final but in case of buying Joggers; children's decision can be considered as final.

## Family Life Cycle

The rule of family life cycle is like the product life cycle. We have different life cycles like

- Traditional Life Cycle

Accordingly to the western world, now the traditional family is going out and new family systems are coming in. For example, due to high divorce rate in the western world, the joint family systems are being converted into the single parent family systems. In USA, 30 % to 40 % couples are living alone but in Pakistan we have less tradition of living alone. However, in urban areas, this system is emerging day by day and people are moving to the single family system. The consumption system in single family is different than the family in which grandparents, brothers and their children are living together.

Being marketer, we need to study the family system, their requirements, buying patterns, and decision making styles so that the marketing strategies can be designed accordingly. There are different life cycle stages and are discussed as follows:

- ***Bachelor Hood***

It has two kinds; one is the person is bachelor but is earning, and other situation is the person is bachelor and is dependent on parents. In bachelor hood, normally decisions are taken on your own but here the decisions are limited to the buying capacity because of the less finance available specifically if you are dependent on the parents.

- ***Honeymooners***

This is the phase where marriage is taken place of the couples. Again it has two scenario, one is where you are living with the parents and other is you are living alone. If you are living with the parents, then obviously your decision is limited but on the other side if you are living alone then you can make decisions freely. This situation again varies from culture to culture. In Pakistan,

normally people live with their parents at the initial stages of the married life. So they are more dependent on their parents for decision making.

- ***Parenthood – with at least one child***

It is the situation where child is born and now you become parent. Now decision making style will be different. If you are living in the extended (joint) family, the decision will be influenced by the brothers, sisters, and parents etc. But if you are living alone, then most of the time, your friend will influence your decision making. At this stage, marketers normally try to emotionally grasp the customers by passing the emotional message like ‘if you don’t buy best products for your children, you are not doing good with them’ etc.

- ***Post Parenthood – with no child***

Post parenthood is the stage where the children groomed up, married and settled so the parents are living alone once again. This is very critical situation where the working parents have retired from the jobs, started living alone and are trying to settle their life again. At this stage, their buying decision again will be influenced by the different factors. In Pakistan, normally they become more emotional in their living patterns, so they try to buy the normal things so that they can pass the time. In western world, they try to pass the leisure time in clubs etc.

- ***Dissolution – one surviving spouse***

This is the final stage of life where one is depended on his spouse, if husband is elder and reached to the old age; he will be more dependent on his wife in decision making and vice versa. If one of them died and other is living with his/her children, so he/she will be more dependent on his/her children etc.

For marketers, it is necessary to understand the different stages of life of the customers, their decision making systems, their changing buying patterns and then devise strategies accordingly to reach to the win-win situation.

## LESSON 30

## REFERENCE GROUPS AND ITS INFLUENCE

**Social classes**

Today we will discuss the social class which is defined as “the division of members of society into distinct status classes/ groups so that members of each have relatively the same status and other classes have some more or less status”.

Definition indicate that the amount of status differentiate one class from another class. If we look into various conditions, we find that the social class is a ranking of classes on each social factor identified. For example, sometime people place the old traditional antiques in their drawing rooms to show the guests that they belong to the higher family and have a traditional higher status background. Therefore, it is necessary for marketers to understand the social classes of the society, their preferences, and the things they like more in order to provide and design products accordingly. So in the society, there are different thoughts which people normally have. For example,

It assigns the kind of status to the individual who belong to that group. Social class can be seen from three angles:

1. Prestige
  2. Power
  3. Consumption pattern / wealth
- 
1. **Power** – it is considered that the person, who has more purchasing power, has higher status / power in the society and their choice influence the others to use similar things.
  2. **Prestige** – it is related to the degree of recognition and respect in the society, people are recognized by the class they belong, products they use and the status they have in the society.
  3. **Wealth** – We should clearly know the difference between income and wealth. Income is the money that we spend whereas wealth is resources that a person or the family has. And social class represents this for example, agriculturist is a social class, businessman is in a particular class. So, it is necessary for marketers to understand the different kinds of social classes, their buying patterns only then they will be able to target the exact category of customer to promote their products accordingly. A concept used in this context is “Social Comparison theory”.

## Social Comparison theory

It is an important concept in marketing society that relies on the concept of purchasing power. It indicates that every person compares himself to another person which creates a social class. For example, Doctors and Professors have different class than a businessman and an agriculturist. So, it proves that in our society, different classes exist. Comparison can be made in two steps: One is where we compare our self with the person of lower status which gives us the idea of self-esteem and ego and resultantly we will buy those products which people of lower status don't use. Secondly, we can compare to the persons who have higher status than us, so here we normally try to buy the products used by the higher status people but again we live in our own domain due to number of reasons. So, these comparisons tell us different kind of classes which exist in our society. This idea brings us to the level of conspicuous consumption.

**Conspicuous Consumption** – it is that type of consumption which is seen by others. For example, we celebrate Wallima Ceremony in good marriage halls so that people can consider us as a higher status people.

## Dynamics of Status Consumptions

Consumptions is not something static, it has different dynamics. It has a variety of concepts:

### 1. Concept of Status Consumption

A research was conducted in Canada and Australia which were related to two types of consumptions which are as follows:

- a. **Status Consumption** – which means that we consume the products to show our status in the society? For example, using a big car, wearing an expensive wrist watch, keeping parker pen etc.
- b. **Conspicuous Consumption** – it is the kind of consumption which takes place to show off others. In this consumption, people try to exceed in consumption from the higher status people.

In this situation, marketers need to see the important factors involved in the consumption process so that they can target the customers exactly. Different types of factors can be involved; for example,

- (a). Family Income
- (b). Occupational Status
- (c). Educational attainment

Along with this, marketers also consider the major influences on the groups. Sometimes advertisements have more influence but most of the time word-of-mouth has an influence on these classes. An important thing to be noted is that we can not shift a social class from one country to another country because if one thing is considered higher in our country, it may be considered as a low in the other country. So in this case, the marketer strategy should be different.

## **Categorization of Social Classes**

There are different categories of classes:

### ***Two Classes***

1. Blue Collar – those people who are skilled labors
2. White Collar – people of higher status includes lawyers, doctors, engineers etc.

### ***Three Classes***

1. Blue Collar – Lower (subordinates, lower level employees),
2. Gray Collar – Middle (assistant managers, supervisors),
3. White Collar – Upper Class (executives, directors)

### ***Four Classes***

1. Lower
2. Lower middle
3. Upper middle
4. Upper class

### ***Five Classes***

1. Lower class
2. Working class
3. Lower middle class
4. Upper middle class
5. Upper class

The reason of this categorization is to know the level of income, standard of living and buying patterns of the consumers so that marketers can devise marketing strategies accordingly.

## Measuring Social Class

There is no comprehensive frame for the measurement of the social class; however, there are certain factors through which we can measure these classes:

### 1. *Subjective Measures – Clarity*

- a. We can ask from the individual by giving them options that which of the following categories best describes your social class.
- b. It is assumed that the person will be quite sure about his/her own social class but again there is high number of biasness in these measurement systems. Many people will be more biased towards the middle class and does not take into consideration the fringes of lower middle or upper classes.

### 2. *Reputational Scale*

- a. It is some how impractical scale which is normally used by the social scientists to understand structure of society. They ask how the classes are divided and then they try to place a group in a specific social class. It is not related to the marketing perspective.

In marketing, we have some objective measures through which we can easily find out the classes. Different Range of Techniques is used for this purpose:

- b. *Objective Measures* – in this kind of technique we use demographic and socio-graphic variables concerning the segment under study. We use questionnaire to ask different questions about themselves, their families, place of residence, level of income, educational background, and age group etc. then we assign them the category of class. For example, you ask a person about the educational background and the person reply that I am PhD, so automatically perception is developed that this person is earning high salary than the person who is simply a master degree holder. Similarly, if we ask a person that where your residence is and he replies that I am living in sector F-7 Islamabad, so perception is developed that this person has higher income level and status than the one who is living in Rawalpindi. So, marketers place these individuals into different classes and then devise marketing

strategies. They can easily identify the segment, their living standards and target them accordingly. There are two types of measures.

*i. Single item measure / Single Variable Index*

1. **Occupation** – for example, the auditors after completing audits normally take break and go for tours. So, tourists guides, travels services agents and hotels personnel can capture them at this stage.
2. **Education** – Person with more education are considered respectable
3. **Income** – conspicuous consumption can takes place with those who have higher income and they have high level of spending. So for marketers, there are more chances to get in and capture these customers by providing good products.

*ii. Composite / Multi variable index*

In next class we will discuss in detail the composite multi index in detail.

## LESSON 31

## FAMILY INFLUENCES AND SOCIALIZATION PROCESS

**Social mobility and culture**

As we have discussed in the previous lecture about the social class, and then we moved gradually to the measurement of social class. Today, we would like to extend our discussion to the social mobility and how do social frames move within the systems.

**Social Mobility**

Some social class move from down to up but it varies from country to country. It is very typical in the western culture where people always try to move from lower level to the higher level. But this system is little bit strict in Pakistan where it is considered difficult to reach to the higher level but again people always tries to move up. Sometime there is backward movement where people move from upper status to the lower status. For example, Generation X – the group born between 1965 –1980 are considered not able to reach the income levels and life styles of their successful parents, the baby boomers born between 1945 –1964. So, this is a shift from upper level to the lower level.

**Measuring Social Class**

Other variables:

- **Possessions** – moveable and immoveable property. And it have been researched that the people differs in status by the furniture and other accessories placed at their home which shows their level of standards and class. Even the placement of the items also shows the class. For example, research concluded that TV is placed in family rooms by upper middle class and in the living room by lower class.
- **Geo demographics** – location of residence also indicate the classes. But it varies from context to context because living in a particular area may be due to other factors like the person is newly became rich and they don't want to shift their area etc. That's why, the measurement scale do not rely only on single variable. Similarly, a high income person does not mean that they always are in upper class, it can be a factor but what if a CSS qualified person who is earning only Rs. 30,000 and but is placed in a middle upper class. So, that's why we say that there are number of factors involved.

## Profile of Spending Habits

### *Upper Upper Class*

- No conspicuous spending
- Do not shop personally, either their servants will go or they may shop online.

### *Lower Upper Class*

- Represent new money, those who recently got money and became rich
- Will go for conspicuous consumption
- They will go for higher products, costly products to show their status.

### *Upper Middle Class*

- These are career oriented – these people have good jobs, and grades
- They have keen interest in obtaining good things in life
- They are normally conspicuous because they have to maintain their standards in the society.

### *Lower Middle Class*

- These people want their children to well behave
- They want to appear neat and clean

### *Upper Lower Class*

- They normally strive for security and want those things that can protect them

### *Lower Lower Class*

- These are the people who just want to pass their time because the things are out of work for them.
- They are poor in education and have more children who are poorly treated.

As we said that people can move from one class to another but it requires a lot of hard work to do so. These classes vary from country to country. We can see the framework of how and when social mobility can take place is culturally oriented. For example, a comparison of India and USA, it is difficult to move from lower to upper in India as compared to USA. So social mobility in India is

low and in western culture is high. Similarly in Pakistan, social mobility can take place and it has been observed that people shift their classes.

### Selected Consumer Behavior Applications of Social Class

There are three concepts that are relevant to look at consumption.

- we tend to know who we are, know yourself and have a self image
- Do what the higher class does
- Do what your neighbor does.

For example, clothing and fashion

- Lower middle class wears the T-Shirts with known logos and admired persons or groups.
- Upper Class normally wears T-Shirts without such logos but from branded companies.

Another example is Spending Leisure Time

- Lower middle class go to zoo
- Upper Class go to clubs

Hence; by observing these social classes, marketers can understand the consumers' behaviors, and then they can make the market segmentation accordingly.

### Culture and its influence

Culture is obviously another variable which has an impact on the classes. In a single country, a number of cultures exist, for example, Punjabi culture is to some extent crossed the border of India and Balochi culture has resemblance with the Iranian culture etc. So these cultures have an impact on the consumption patterns as well. Similarly, Chinese always serve green tea before the lunch, whereas in Pakistan or Japan, people serve water before the lunch. It is a cultural difference which has ultimately changed the consumption patterns. Culture is a very important concept in consumer behavior which we define as "sum total of learned beliefs, values and customs that serve to direct consumer behavior of members of a particular society". In this definition, three things are important:

- **Beliefs** – It is a statement which can be verbal or non verbal. For example, if any one has a belief that Korean refrigerator is good than Japanese and if we want to change this belief

then we have to convince them that the Japanese refrigerator is better than Korean one. Hence we say that beliefs can be changed.

- **Values** – are more difficult to change. For example, if we give value to the quality, then we will all the time focus on the quality rather than prices and vice versa.
- **Customs** – it is the way to do things. As in our previous example of Chinese green tea and Pakistani water, these are the customs. Similarly, in Swat, people eat rice in dinner every day whereas in other cities; people take anything which they want.

Therefore, we say that culture is “Invisible Hand”

### **Culture as Invisible Hand**

Consumers both view themselves in the context of their culture and react to their environment based upon the cultural framework that they bring to that experience. And each individual perceives the world through his/her own cultural lens. Which means that whatever we see, we will try to interpret that information according to our own culture? Thus, marketers need to understand this important concept so that they can show the information according to the culture of the customers. Culture can be national as well as supranational. Supranational means across the boarder. For marketers and international marketers, it is very necessary to understand the national and international cultures to design marketing, branding, advertising, and segmentation strategies.

### **Culture Satisfies Needs**

Culture provides standards and cautions to all phases of human problems. For example, culture suggests that what to eat – breakfast of nehari or paratha and omelette. Culture suggests when to eat – before or after prayers, early or late night etc. Where to eat – sit on the floor or on the table. For example, in western culture – every one has their separate plates but in Arab country – people use to eat in a single plate. Hence, the strategies can be devised accordingly so that the exact needs can be identified and satisfied.

## LESSON 32

## SOCIAL CLASS

**Culture (continued)**

As we have already discussed that culture is the “sum total of learned beliefs, values and customs that serve to direct consumer behavior of members of a particular society”. This definition indicates that culture is a full range of learned human behavior, so it means that we always learn the things from society, families and from different social groups.

**Culture is learned**

Unlike native biological needs like hunger and sleep etc. cultural leanings are acquired early in the life. Norms and beliefs are the learned things which we can acquire from the society.

**How learnt?**

*Formal learning* – adults and older siblings teach a young family member “how to behave”. For example, smoking in front of senior is considered wrong so this habit can be transferred to the young generation.

*Informal learning* – a child learns primarily by imitating the behavior of selected others. There are things that we learn from our colleagues, friends, and social networks. For example, during the partition of India, those people who migrated from India to Pakistan started living in different areas of Sindh and Punjab. At that specific time, they were having same culture but with the passage of time, they acquired the things from the local culture and now we can observe the changes in the life styles, the way they behave and their standard of living. This is because; the learning takes place which gradually changed their norms and values.

- *Technical learning* – Learning takes place in the educational institutions. For example, teachers instruct the child in an educational environment as to what, how and why it should be done. Students studying in Cadet Colleges have different style of behaving and living then the one studying in a simple school.

So, marketers need to learn the culture in which they are living and the different dynamics of the culture to which they are targeting their products.

## Enculturation and Acculturation

The learning of one's own culture is known as enculturation whereas the learning of a new or foreign culture is known as acculturation. To learn these things, we not only need the stories but also we need to know about the following:

- ***Language***

Language is the most important thing to be learned specially for the marketers so that they can communicate with the target audiences in their native language. For a common culture, the members of a society must be able to communicate with each other through a common language. Marketers should not use the word that has double meaning.

- ***Symbols***

Symbol is anything that stands for something else. It can be verbal or nonverbal. Symbols are used in different culture and marketers must be aware of them so that while preparing ads, they can use those symbols which will attract the customers more. For example, price has a symbolic value likewise the product has a symbolic value, so marketers need to know and use these accordingly.

- ***Ritual***

A ritual is a type of symbolic activity consisting of a series of steps occurring in a fixed sequence and repeated over time. Wedding anniversary cake cutting ceremony is celebrated in a different way than the cake for 50th birthday ceremony. Rituals tend to be replete with ritual artifacts (products) that are associated with or somehow enhance performance of the ritual. So marketers can bring these two things together to enhance the value of the products for the customers. These things bring the important point here that the culture is shared phenomenon and the particular belief, value, or practice must be shared by a significant portion of the society. Only single factor is not important for culture, but various social institutions transmit the elements of culture and make sharing of culture a reality.

- ***Family*** – as we discussed that the values, norms and beliefs are transformed from generation to generation.

- ***Educational institutions*** – the students who are studying in leading schools have different life styles because of the diversity of the culture they are living in. for example, LUMS is a leading business school in Pakistan and the graduate of this school have different style of working because they learned the things from that specific culture.

- ***Mass media*** – it has a very important contribution in cultural transmission where people build their perception on the basis of the message floated on the media. For marketers, it is a very

important source of creating awareness for their products. So marketers need to be very careful about the messages they float on the media and the celebrity they are using to endorse their brands along with the language and the symbols they are using in the advertisement.

- ***Houses of worship*** – spiritual thoughts are developed from the houses of worship which later on bring changes in the life of the human. Those who often go to Mosques have different thoughts than the ones who go to Churches.

Hence in this lecture, we conclude that it is very important to for marketers to understand the culture and devise marketing strategies accordingly so that the exact needs of the customers can be identified and subsequently satisfied.

## LESSON 33

### SOCIAL CLASS AND ITS INFLUENCE ON CONSUMER BEHAVIOR

#### Culture (continued)

In the previous lectures, we have discussed culture and different important concepts which are as follows:

- Culture
- Importance for marketers
- Sub-culture
- Values and Beliefs
- How culture is learnt
  - Formal learning
  - Informal learning
  - Technical learning

As we have said that culture is a dynamic object which satisfy needs of the society and guide the society on how to behave under various conditions as well as guide what is to be bought and why. Culture always evolved over time and the values, beliefs and norms are transformed from one generation to the other. It is the responsibility of the marketers to take care of the cultural needs and devise their marketing strategies by considering those norms.

How to study culture. There are two methodologies:

#### 1. Content Analysis

Content analysis is the methodology of studying the content of the communication in different cultures. This is the form where verbal and visual outputs of a society are studied to establish what values are being projected and what are the society's norms and beliefs. These studies are done within the business context through studying advertisements. According to latest research, concepts obsolete in every two years. So it indicates that cultural values change over the period of time. Marketers need to understand these changing values. When they are inclined to understand their own cultural values, it is called Enculturation whereas understanding others' culture is called Acculturation. They also need to know that cultures are shifted towards aesthetics; therefore,

modern marketing strategies need to be designed by considering the ever changing values and then design segmentation, targeting, positioning, pricing, branding and other marketing strategies accordingly.

### ***Strategic implications of cultural dynamic***

Cultural aspects are studied by considering the PEST Analysis. PEST stands for Political, Economical, Social and Technological environment. Values change over time and PEST has a major influence on the cultural values. So, marketers should also know these factors while designing strategies.

## **2. Consumer Field Work**

Consumers are observed in their natural frameworks. It focuses on in-store purchase behavior rather than in-house use and preparation behavior. Field observation and participant observation are highly technical form of studies – requiring expertise of a high order as most of it is interpretive in nature and subject to biasness of the observer and his experience. When we move to the field work, we don't ask the customer why you purchased this brand rather we ask how you have purchased and what basic things lead you to purchase this.

## **Core Values**

Value is something generally accepted by the society. It must be pervasive. A significant portion of the population must accept and use it to guide their attitudes and actions. For example; in our society, everyone says that open milk is not pure and harmful for health. But they prefer this to the packed milk. On the other side, in Japan, people prefer to use packed milk over the open milk. This is because of the value system. There are some core values to be noted in the cultural context which are as follows:

- *Efficiency and value of time*

The value for time is different in our culture then the western culture. For example, once some one asked Bill Gates that if you see 100 US dollars lying on the floor, will you stop to pick it up. He said no, because for me time is money and I can earn more than 100 dollars in just 5 seconds. Hence in some cultures, time is most important but for others, they don't care of it. These observations conclude that marketers should take care of all the objects concerned with the

cultural aspects and prepare marketing strategies accordingly so that the exact need of the customers can be identified and satisfied.

## LESSON 34 THE INFLUENCE OF CULTURE ON CONSUMER BEHAVIOR

### Core Values

As we have shortly discussed core values in previous lecture where we said that value is something generally accepted by the society. Values must be pervasive and a significant portion of the population must accept and use it to guide their attitudes and actions. We have also discussed that to measure a culture needs different types of techniques and one of them is the content analysis which is the methodology of studying the content of the communication in different cultures. This is the form where verbal and visual outputs of a society are studied to establish what values are being projected and what are the society's norms and beliefs. There are some core values to be noted in the cultural context which are as follows:

### Core Values to Note

#### *a. Achievement and success*

Achievement is something intrinsic which means I do something and get a reward so I achieved my objective. Involvement of no other person is required for this value.

On the other side, success is extrinsic – I succeeded in something and I have been rewarded for it by the external objects. For example, in American culture – they regard the achievement like need for achievement. Those people who are achievement oriented normally tries to find out the things which can help them to achieve their goals. For instance, 'I am working' – is an intrinsic object which give the cue for achievement. On the other side, if father is handing over the keys of a car to his son on getting good grade in exam – it is success. Achievement oriented people surf productively on internet – for knowledge and development. People who are not success oriented – use internet for social networking. So we can see the cultural changes and adoption of new systems by the consumers.

#### *b. Activity or Involvement*

There could be two main things; on one side, workaholics which mean I am too busy and have no time for other activities. On the other side is relaxation which means I am free and have spare time. For example, summer vacations – children normally spare there summer time for leisure

activities but now the concept of summer camp bounded the students to involve in their studies. So, they are normally busy in their studies even in summer time.

***c. Efficiency and value of time***

Time is money and has an important value in the society. The value for time is different in our culture then the western culture. He said no, because for me time is money and I can earn more than 100 dollars in just 5 seconds. So in some cultures, time is most important but for others, they don't care of that. These observations conclude that marketers should take care of all the objects concerned with the cultural aspects and prepare marketing strategies accordingly so that the exact need of the customers can be identified and satisfied.

***d. Progress***

It is a fact in life that every individual in the life tries to make progress in their different aspects. People tries to excel in their life in terms of career building, hence they want progress in different steps of life.

***e. Material Comfort***

It is the sign of good life and is part of satisfaction with life. For example, one might consider to be a revival of the classic first floor of a department store, which traditionally displayed only the best of the best to a discriminating client etc. Another example, by presenting each season's collection in a life style context, we create an emotional connection with our customers, who rely upon us to offer them an edited collection of the very best of the season. By interspersing our selection with editorial and advice, we create an inspirational shopping experience – one where Vivre is considered to be trusted advisor to 'a beautiful life'. This is trying to say that elite class need very comfortable life where as people belonging to the lower class can sit even on the floor.

***f. Freedom***

It means the freedom of choice. That is why we find a large selection of products and brand in product categories as one of the core value is the freedom to choose which underlies the capitalist society vs. the communist structure.

*g. Individualism and collectivism*

Some societies believe on the individualism while others believe on collectivism. For example, American society believes on the individualism kind of life style – every individual is responsible for his own matters. While Pakistani culture believe on the collectivism where the shared values are welcomed.

## **SUB CULTURES**

In the major culture, some sub-cultures exist. For example, Pakistan has its own culture but inside Pakistan, there are various sub-cultures like the culture of Khyber Pakhtunkhwa, Culture of Punjab, Culture of Sindh, Culture of Balochistan and the culture of Gilgit Baltistan. Some clips of sub-culture.

We will further discuss the aspects of sub cultures in detail in the next session.

**LESSON 35****CORE CULTURAL VALUES AND MEASUREMENT****Core values**

(In this lecture, we will discuss subculture and different form of generations like Generation Y, Generation X and Baby Boomers.

**Subculture**

Subcultures are based on different components, some of which are as follows:

- Age subcultures (all dimensions of culture are not clearly given with bullets etc)

Why each major age group should be treated separately? Old age people have different behaviors than the youngsters. The same age people all around the world have to some extent similar behaviors but more specifically the behavior change occurs from culture to culture and sub-culture to other sub-cultures. Marketers need to understand these differences. There are four large groups:

- o Generation Y (It is the latest including people born from 1977 – 1994 in all over the world. Different aspects impact on this generation around the world)
- o Generation X
- o Baby Boomers
- o Seniors

**Generation Y**

It is the latest born people from 1977 – 1994 in all over the world. Different aspects impact on this generation around the world. Even this group of people can be further divided into different sub-groups:

- Generation Y Adults: 19 – 28 years (these are the highest users of text messaging).
- Generation Y Teens: 13 – 18 years
- Generation Y Tweens: 8 – 12 years (Although this group is not born in the Generation Y period but some of their distinctive characteristics meet to this group so are still considered in this group. For example, in terms of use of internet and their buying choices, they are similar to this group).

There is another group which does not fall in Generation Y and Generation X and it is in between both groups and is called Twixters:

- Twixters

A group spanning Generation Y and Generation X is a group of 21 – 29 years old. These people have jobs and tend to stay with their parents. They normally don't purchase assets but do purchase gadgets and electronic stuff and clothes.

## **Generation X**

This group was born between 1965 and 1979 (different expert quote different starting and ending years and are called baby boomers.

These people tend to be cynical, do not like labels on clothes and do not want to single out to be targeted. They are freedom oriented and flexibility oriented. They do not go for money alone but relationships at workplace and work conditions are important for them. It is said that baby boomers like to work, Generation X likes to live. They tend to keep things simple in terms of work pressure.

### **How to *Appeal to Generation X***

How can we appeal to Generation X? These people felt that they are more sophisticated than their parents. They are not necessarily more materialistic than that of their parents but they like branded products like Sony etc. but not labeled clothes that fits with their personal image. Another point is that baby boomers are considered more interested in reading newspaper. This group generally is not more influenced by TV because at that time, it was not available but now they are interested to watch TV. Being marketers, if you want to target this group, then TV could be an appropriate medium especially these days. Hence, baby boomers read newspapers, Generation X often prefer to watch TV and Generation Y use Internet. Similarly, Generation Y is using Online banking whereas Baby Boomers put more emphasis on the cheque systems etc. By considering the buying patterns of Generation X, hotels started adding LCDs to the rooms and internet access as part of the hotel room furnishings.

## **Baby Boomer Market**

This is the largest category in the world that was born between 1946 and 1964 and now they are in the age of 40 to 60 years. At this time, these people are senior managers in different organizations, so it is important for marketers to target this group. They are interested in leisure activities, club, cosmetic surgeries and other such things through which they can look young. In this group, there

are more chances of conspicuous consumption as they want to make impression in the society so want to consume the things which show their status. It has been observed in the market that marketers are trying to attract these groups according to their preferences. There are some important points for this group. They are consumption oriented and with the growing age, the nature of product / services required by them will change. For example, bank services are being developed for them as their choices of remittances. Other marketers have also started changing their services accordingly to target the baby boomers.

Where age brings a group, gender also make a group which we will discuss in the next session.

**LESSON 36****SUB CULTURE- ISSUES IN MARKETING****Sub-cultures**

As in the last lecture, we have been discussing the different age groups, and we said that these different ages' groups behave differently so marketers try to understand all these. We have discussed Generation Y, Generation X and Baby Boomers.

**Old Consumers**

Life expectancy of this group is rising; these are over the age of 50 years. There are some myths about these consumers that they have no work to do and do not have financial resources. But the truth is that people over 50 work more, because the life expectancy is growing and most of them are productive employees.

**Segmenting the elderly market**

More concern in advertising where advertisers use younger models and the reason in their lack of understanding of the market. It is very good potential segment for the marketers. The elderly consumers are not homogeneous. There could be a simple segmentation for them.

- The young-old (who are between the age of 60 and 65)
- The old – old (who are between the age of 70 and 80)
- The old

So this older segment does need to be marketed to buy only for the “right” kinds of products and services and using the “right” advertising presentation. Some concern for marketers are that the products which are meant for older people.

**Sub-Culture by Gender**

It is quite fitting to examine gender as a sub-cultural category.

- Masculine traits
  - o Aggressiveness and competitiveness
- Feminine traits
  - o Neatness, tactfulness, gentleness, and talkativeness

There are some changing roles in the sub-cultures because some traits and roles are no longer relevant for many individuals; marketers are increasingly appealing to consumers' broader vision of gender-related role options. So, traditional roles of women have been changed when women go to the offices. So market segmentation should also be changed by considering the changing roles or trends.

## Marketing Implications

### *Segmenting the women*

There are four distinct groups in women

1. *Housewives* – they normally group together to go for shopping. They mainly believe on the friends' discussion and prefer to shop the things based on the friends' suggestions. Here, opinion leader concept could be a good option. It has also been observed that housewives are more conspicuous consumptions oriented.
2. *Potential workers*
3. *Working to contribute family income* – these are the women who spend few of their money for shopping because they have to contribute to the family as well. Therefore, they avoid for unnecessary spending.
4. *Career oriented ladies* – she is ready to make scarifies to go up by working. Working women and specially career oriented women seek information from internet, have less time and most of them are more brand loyal.

Now we would like to extend the same discussion into globalization perspective.

## Consumer Behavior: An International Perspective

In globalization, there are trends that are pushing marketing companies to use the homogeneous strategies to the marketing of their products. For example, in Pakistan, many people have not tasted Pizza. It is difficult for the marketers to position in this market until it is tasted by the consumers. So, there are different markets in the world to whom international marketers need to target but they must take the cultural aspects into account. There are different trade zone in the international market. International marketers must be aware of these zones and their cultures.

- GLOCAL - Now a days, the concept of GLOCAL has been termed out which means *Think Globally, Act Locally*. Marketers need to think how the globe is spending, how their buying patterns are changing and what the characteristics of the consumers are globally. But they need to act locally by actually identifying the needs of the individual customers.
- Association of Southeast Asian Nations (ASEAN) – This market consists upon Indonesia, Singapore, Thailand, The Philippines, Malaysia, Brunei, and Vietnam.
- The North American Free Trade Agreement (NAFTA) – This currently consists of the United States, Canada, and Mexico which provides free market access to 430 million consumers.

If we observe that in our everyday consumption, we consume the things manufactured by different countries. So, country of origin of the products also has an important effect on consumers' perceptions. Researchers have shown that consumers use their knowledge of where products are made while evaluating their purchase options.

## Globalization

### *Exposure to other cultures*

- A consumers' exposure to different cultures through consumers' own initiatives – their travel, their living and working in foreign countries, or even their immigration to a different country.
- Consumers often obtain a “taste” of different cultures from contact with foreign movies, theater, art and artifact, and most certainly, exposure to unfamiliar and different products. While studying globalization, we also need to know about the ethnocentricity.
- Ethnocentricity - How strong we are in our own culture. If we take our local product to the other culture, it will be difficult until and unless we know that culture.

So, it is important for marketers to understand the culture to which they are planning to target and then prepare marketing strategies so that the exact customers can be approached and their needs can be satisfied.

## LESSON 37

## MARKETING STRATEGY AND VALUES

**Sub-cultures (continued)**

In the last lecture, we have discussed about the international market, and in one of the previous lectures, we have talked about the Ansoff Growth Matrix.

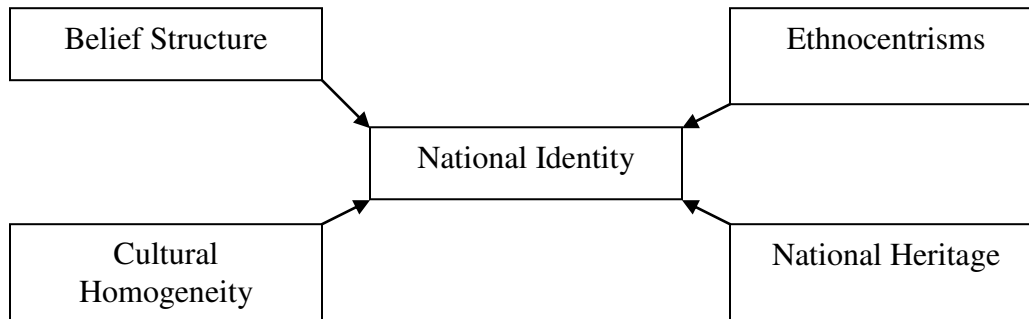
**Country of Origin**

Three types:

- Country of design – design of products prepared in one country and assembling is done in the other.
- Country of Parts
- Country of Assembly

Research indicates that most of the time people pay more emphasis on parts because parts play more roles. For example, in chappal industry, parts are prepared in china and imported to Pakistan to assemble it to final shape. Similarly, in automotive industry, most of the spare parts come from Japan and assembly takes place in Pakistan. This depicts the concept of national identity.

- ***Belief Structure*** – it is the religious beliefs that how do you believe. For example, in USA Christianity is the major religion, while in Pakistan, Islamic religion dominates.
- ***Cultural Homogeneity*** – it is the more national & cultural things used by the living society. For example, Sports, Dresses etc.
- ***National Heritage*** – History, Historical figures, artifacts and the people who have done a lot for the society are the national heritage and is the national identity which influence the local culture.
- ***Ethnocentrism*** – it is related with the ethnocentricity. For example, if we say try Pakistani products, buy Pakistani products. Japan is very strong in ethnocentricity.



### Cross Cultural Analysis

Cross cultural analysis is defined as the effort to determine to what extent the consumers of two or more nations are similar or different. For example, IKEA (a furniture manufacture) introduced a different concept. The concept was to go to the shop, buy unassembled material and prepare furniture at home. They used local languages to the country and similarly they use different promotion campaign. In Italy, the ads show people having wine while lounging on the furniture but in Saudi Arabia, the ads are more conservative. Similarly, Mineral water in France is associated with hygiene whereas Germany, is more associated with vegetarian life style where 88% adults use mineral water. So these are the differences between cultures and marketers used to follow these differences.

Similarly, if we see the example of banks in different countries, we will see that in UK, few of the banks offer Shariah compliant banking only where there is large Muslim population. Since the choices, traditions, and culture of every country is different, therefore, it is necessary for the marketing manager to understand that culture in which they are going to launch the products. Let us take some traditions of gifts.

| Gift                | Country        |
|---------------------|----------------|
| Leather Hand Bag    | Saudi Arabia   |
| Letter Opener Knife | Argentina      |
| Red Roses           | India          |
| Clock               | China          |
| Bottler of Wine     | United Kingdom |

If you will give Leather hand bag in India, it could be a problem; red roses cannot be given in United Kingdom. And in Saudi Arabia, you can not give bottle of wine. Hence, international marketers must be very careful.

**Middle Class**

According to the research, in Pakistan, if there is USD 5000 per capita purchasing power parity (PPP) then it is called middle class.

**Non-tariff barriers**

When we export a product to other countries, we have to pay certain duties. Non- tariff barriers are some thing to prevent a product to enter into new market. For example, Harley Davidson was prevented to enter into Japanese market. The reason could be ethnocentrism.

**LESSON 38****CULTURES IN AN INTERNATIONAL CONTEXT****Sub-cultures (continued)**

Recap

Two Imperatives for marketers

- they must understand the values and beliefs of consumers
- try to change the mindset of consumers to make product acceptable

For example,

- Polio medicine in Pakistan
  - o It was general perception that it will damage the children's' memory but the actual situation was the other way around.
  - o Family planning – in 2025 the population will be doubling. So, an attempt has been made by the country and initially there was a resistance but now people start realizing that it is good by considering the exact situation.
- Injection syringe and AIDS

So at initial stage, marketers always face challenges but with the passage of time, they can overcome these challenges.

**Characteristics of Cross Cultural Analysis**

- It is often difficult for a company planning to do business in foreign countries to undertake cross-cultural consumer research.
- In many countries, there is a limited amount of information regarding consumer and market statistics.
- There is a big challenge in the globe and specifically in Pakistan that consumer doesn't give responses. However, the trends are gradually changing and some established companies are involved in the consumer research.

For example, a global company named AC Neilson has now started working in Pakistan to conduct consumer research.

- In western culture, you can conduct a research on couple dominance in decision making by involving the couples in a focus groups but it is not possible in the Saudi Arabia where women participation in focus groups with men is difficult.
- In China, most of the time **mall intercepts** are considered with suspicion. To overcome it, children are given cameras to photograph what they like.
- Close to three billion dollars to children to spend in China due to restriction in family planning.

## Applying Research

Same principles as in domestic market research but more burdensome.

- Language and associated meanings
- Demographic or social segments will be difficult to standardize
- Consumption pattern (e.g. McDonald) – in international market, it is consumed when in hurry and they take away but in Pakistan it is some kind of social gathering frame.
- The benefits sought (e.g. credit card) – it is a convenience
- Difference in family structure of decision making (e.g. buying a car or refrigerator).
- Difference in market research condition and possibilities both in terms of expertise and characteristics of respondents

## Strategies – Global Vs. Local

A big question is, organizations should use global or local approach. But international marketing scholars has invented a technique called GLOCAL (think globally, act locally).

- The world markets are becoming more similar, and therefore, standardized marketing strategies are appropriate / feasible.

Cultural convergence is taking place in the world. But some school of thoughts says that divergence is taking place.

The variations among nations are too great for a standardized marketing strategy.

- Local brands indicates that *what we are*; and Global brands indicate that *what we want to be*

- Now question is should the organization be global brand or local brand
- Unilever – is a global brand (they used Ronaldo as celebrity for the globe)
- P&G – is using Shahid Afridi as celebrity endorser. Three brands are global (Always, Pantene, Gillette).
- But some companies use local brand to operate as a global brand. E.g. Lays

### **Are global brands different?**

Consumers associate global brands with three characteristics:

- Quality signal
- Global Myth (become ideal brand for others)
- Social Responsibility (e.g. Nike was manufacturing cloths, footballs etc in Sialkot and children were their employees. Three of the students in American Universities refused to use Nike Products. Now Nike realized the situation and changed their model by giving jobs to the parents). It was done through moral activities.

Let me quote an example of a research which was done in 12 nations. According to 12 nation consumer research project, global brands are viewed differently than local brands in these three areas.

It was also found that there were intra country differences, resulting in the conclusion that there were four major segments (clusters) in each country with respect to how its citizens view global brands. These groups are the intra country which means that they belong to within the country and this consumer behavior came out within the country.

- Global Citizens: normally constituted in 53% of the population who accept all these three characteristics.
- Global Dreamers: 23% (quality but not concerned with Corporate Social Responsibility)
- Anti Global: 13% (believe on quality but reject the concept of ideal position).
- Global Agnostics: 8% (treat all the same).

### **Combining the two approaches**

- Global strategies with local execution (GLOCAL):
  - o Sometimes marketers use a mixed or combination strategy

- Adaptive Global Marketing – trying to adapt
- For example, US customers are more conscious about the product attributes related messages. On the other side, if we look to the Taiwan customers, they are more interested in the aesthetics of the ad. Spanish are more emotional, and feminist in nature.
- It is also important to note that consumers in different countries of the world have vastly different amounts of exposure to advertisements. For example, In Pakistan, how many people watch the TV and how much look to the newspaper.
- So, how to overcome these issues; most important factors to create a mix were focused on:
  - Local Language
  - Localize the product attributes
  - Models
  - Colors of Ad
  - Humor – relevant in the Pakistani market.
  - Scenic Background
  - Music

## LESSON 39

## GLOBAL MARKETING

**Sub-cultures (Continued)**

## Recap

- Glocal
- Economy of scale in Ads
- Convergence or divergence
- Truly global brands
- Three Characteristics
  - o Quality signal
  - o Global Myth
  - o Social Responsibility

**Global Brand Extension**

Brand Extension: Just because a brand may be global in character does not mean that consumers around the world will necessarily respond similarly to a brand extension. But for the global brand, extension is easy and important. It facilitates new products, other brands can be launched with the same brand name.

**Adaptive Marketing Strategy**

It requires high degree of local knowledge to incorporate the local values, beliefs and customs. When it comes to the design of e-commerce websites, a five nation research study suggests that consumers react best when content is adapted to their local needs. In some cases, the differences are sufficient to make localized advertising more appropriate than a global approach.

For example, Ronald McDonald's message in its branding is same around the world but when it comes to Japan, they use D instead of R so it becomes Donald McDonald's. Another example is Coke Diet, they use Coke Lite.

**Combining the Two Approaches**

As discussed earlier that the most important factors to create a mix were focused on:

- Local language

- Localize product attributes
- Models
- Humor
- Scenic Background
- Music

Now we are going to discuss whether a company should adapt global or local brand strategies.

### Framework to assess strategy options

There are some stages:

- Stage one- no knowledge of brand (e.g. rover)
- Stage two – know it is foreign made but available locally (e.g. BMW or Mercedes) – favorable or not (country of origin)
- Stage third – foreign but with local status (Sony). Here, country of origin issues comes in the branding.
- Stage four – brand owned by foreign but assembled locally but brand adopted and localized (Coca Cola; Pepsi Cola, Honda, Toyota etc).
- Stage five – brand loses its national identity and is seen as borderless (Nescafe)

### Global Marketing Strategies

| PRODUCT STRATEGY     | COMMUNICATION STRATEGY                                                                                                                           |                                                                                                                                               |
|----------------------|--------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------|
|                      | Standardized Communication                                                                                                                       | Localized Communication                                                                                                                       |
| Standardized Product | <b>GLOBAL</b> <ul style="list-style-type: none"> <li>- Uniform</li> <li>- Product/Message (Clear)</li> </ul>                                     | <b>MIXED STRATEGY</b> <ul style="list-style-type: none"> <li>- Uniform product</li> <li>- Customized message (Head &amp; Shoulder)</li> </ul> |
| Localized Product    | <b>MIXED STRATEGY</b> <ul style="list-style-type: none"> <li>- Customized</li> <li>- Product/Uniform message (Pizza Hut; KFC Chicken)</li> </ul> | <b>LOCAL STRATEGY</b> <ul style="list-style-type: none"> <li>- Customized product</li> <li>- Customized message (Honda motorcycle)</li> </ul> |

What is the best strategy? It needs research in cross cultural analysis to determine what the best is. Another framework is to look at a continuum

### Marketing Strategy 3p's

| 3 P's   | SPECIFIC ELEMENT                                                                                                                      | STANDARDIZATION                                                                                                   | LOCALIZATION                                                                                           |
|---------|---------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------|
| PLACE   | <ul style="list-style-type: none"> <li>- Economy</li> <li>- Partners</li> <li>- Competition</li> </ul>                                | <ul style="list-style-type: none"> <li>- Prosperous</li> <li>- Few</li> <li>- Low</li> </ul>                      | <ul style="list-style-type: none"> <li>- Struggling</li> <li>- Plentiful</li> <li>- Intense</li> </ul> |
| PEOPLE  | <ul style="list-style-type: none"> <li>- Sophisticated</li> <li>- Segments</li> <li>- Classification</li> </ul>                       | <ul style="list-style-type: none"> <li>- Little preference</li> <li>- Few</li> <li>- Consumer durables</li> </ul> | <ul style="list-style-type: none"> <li>- Hi preference</li> <li>- Low</li> <li>- Many</li> </ul>       |
| PRODUCT | <ul style="list-style-type: none"> <li>- Technology</li> <li>- Culture</li> <li>- Reputation</li> <li>- Product Perception</li> </ul> | <ul style="list-style-type: none"> <li>- High</li> <li>- Low</li> <li>- Sterling</li> </ul>                       | <ul style="list-style-type: none"> <li>- Low</li> <li>- High</li> <li>- Poor or Unknown</li> </ul>     |

These two frameworks provide you the basic steps to prepare branding strategies for the multicultural society. You can apply these models to develop branding strategies for the different cultures and can make your brands successful. Specifically these frameworks are for the multinational companies. Now, we intend to discuss some other strategies which are crucial in the branding strategies.

### Consumer Influence and Diffusion Process

- Diffusion of technology
  - o E.g. Microwave oven – originally manufactured in USA and gradually moved to the European Market but with the passage of time, this product is manufacturing in other countries like China, Malaysia and exported to the USA.

- Informal Influence
  - Word of Mouth – Research indicates that word of mouth speaks far more than the paid form of advertising.
  - Opinion leaders – to understand the importance of word of mouth, marketers develop opinion leaders. Opinion leadership is a dynamic process by which one person informally influences the actions or attitudes of others who may be opinion seekers or merely opinion recipients. For example, if we want to purchase a laptop, we seek opinion about the laptop from the one who has experienced it. Hence we say that, opinion leaders are gregarious, self-confident, innovative people who like to talk. Additionally, they may feel differentiated from others and choose to act differently.
  - When opinion leaders become important, marketers try to understand where these would be located. Hence, it is necessary to talk about the opinion leadership process.
  - ***The Opinion Leadership Process***
    - Market researchers identify opinion leaders by such methods as self-designation, key informants, the socio metric method, and the objective method.
    - For example, if we ask from anyone about a specific product that you have got opinion about the product before purchasing.
    - Studies of opinion leadership indicate that this phenomenon tends to be product-specific; that is, individuals “specialize” in a product or product category in which they are highly interested.
    - An opinion leaser for one product category may be an opinion receiver for another.

## LESSON 40 CONSUMER INFLUENCE AND THE DIFFUSION PROCESS

### Sub-cultures (Continued)

As we had discussed about the opinion leaders in the previous lecture. We were talking about the process in which communication takes place between the opinion leader and opinion seekers.

When opinion leaders become important, marketers try to understand where these would be located. Hence, it is necessary to talk about the opinion leadership process.

#### ○ *The Opinion Leadership Process*

- Market researchers identify opinion leaders by such methods as self-designation, key informants, the socio metric method, and the objective method.
- For example, if we ask from any one about a specific product that did you get opinion about the product before purchasing.
- Studies of opinion leadership indicate that this phenomenon tends to be product-specific; that is, individuals “specialize” in a product or product category in which they are highly interested.
- An opinion leader for one product category may be an opinion receiver for another.

Opinion leaders don't receive anything against his/her opinion. But sometimes, opinion seekers become more important and are proactive. Because they have more interest in the product.

### Informal Influence

- For example, I have taken pictures with some pictures,

### Opinion Leadership

Interpersonal Communication

Social Networking

- It is found that people seek information from opinion leaders about:
  - Garments

- Hotels etc

Researches have been done on:

- Opinion leaders influence
- Finding out the opinion leaders
- If consumer does not have information about a product, then information seekers try to identify the opinion leaders more and more.
- When an information seeker knows little about a particular product or service, a strong-tie source will be sought.
- When the consumer has some prior knowledge of the subject area, a weak-tie source is acceptable.

### **Word of Mouth in Today's 'Always in contact' World**

Due to the advancement in information and communication technology, word of mouth is becoming more important. Two main sources are very important in today's world:

- Internet
- Mobile Phones

For example,

- In the US, 200 million people have internet access, i.e. 67% of population.
- In China, 7% of population has internet access but mobile phone users are 312 million.
- Another research is conducted in UK where consumers were asked which information source would make them "more comfortable" with a company. The answer at the top of the list was "friends' recommendation". Only 15 % of the consumers mentioned "advertising".

### **Dynamics of Opinion Leadership Process**

Opinion leadership as a process is a very dynamic and powerful consumer force.

## LESSON 41

## ADOPTION PROCESS AND INFORMATION SOURCE

**Opinion leader**

International Markets

Culture

- converging (simple to launch new brands)
- Diverging

Motivation to purchase

- e.g. in western culture – drinking a mineral water is a common norm but in Germany, using mineral water is more due to their vegetarian preference.

Global Brands

- Globalization – economies of scales
- Localization

Consumer behavior and their special influence on the diffusion process or consumer

How should we be aware of the difference?

**Commonalities among cultures**

- Multinationals try to use an imagery that gives universal meanings.

Consumer Influences

- Issue of the credibility of the message.

Opinion leaders are product specific. He shares his post dissonance experience with the opinion seekers.

- **Consumer influences**
- **Credibility of message**
  - o Word of mouth

- **Opinion leaders** –
- **Market mavens** – who don't relate any single product but are enthusiastic to talk about many products.
- **Purchase Pals** – are the people who go to the market along with the opinion leaders or even seekers and help them in purchase process. This behavior is normally seen in durable goods. For example, male and female purchase pals act differently.
- **Surrogate Buyers** – Event managers / consultants who try to advise the person how to dress and how to use a product. What to have, how to have and how to arrange the dining tables etc.

#### **Difference between opinion leaders and surrogate buyers**

- In the case of opinion leader, the relationship is informal but in the case of surrogate, the relationship is formal and gets paid from the client.
- Consultants are very few whereas opinion leaders could be many.
- Liability of the consultants is very high then surrogate buyers.

#### **Difference between market mavens and opinion leaders and surrogate buyers**

- Related to numerous products not necessarily new but opinion leaders provide information about new products.
- Opinion leaders are more fashion conscious

#### **How to identify Opinion Leaders?**

We need to go to look to the profile of the consumer for which obviously we need to conduct research. Different streams can be helpful for us in determining opinion leaders:

- Use of technology
- Twitter

#### **Profile of Opinion Leaders**

- General Characteristics
  - o These are more innovative as compared to market maven.
  - o They are willing to talk and easily accessible
  - o They are self confident.
  - o They are Gregarious; they don't shy in front of others.

- They have cognitive differentiation capability.
- Product Specific Characteristics
  - They have interest in the product.
  - They seek rapid knowledge about the products
  - They always visits special interest media
  - They normally have the same age group of the opinion seekers.
  - They belong to the same social status
  - They interact with other social classes.

### **Significant frameworks to find opinion leaders**

- Self Mapping – in both the cases whether you are giving or seeking information.
- Socio-metric method – Interpersonal relationships in a social network. We want to figure out the exact opinion leader.
- Key informant method – one person is trying to explain that who could be considered as opinion leader
- Objective method - if the person has bought the product is more appropriate than the one who didn't bought.

### **Implications**

- Buzz Potential – those things about which one can talk about. There are different website like [www.buzzagent.com](http://www.buzzagent.com)
- Focus on new technology and get benefit out of that. E.g. putting information and seeking opinion from social networks like Facebook and Twitter etc.

### **Diffusion**

How a brand diffuse in the market. There are two important constructs that need to be understood.

- Product diffusion process
- Product Innovation process

Diffusion is closely related with awareness. The faster the awareness is created, the faster will be the diffusion of the product in the market. Different innovative marketing strategies could be

helpful in creating the awareness and diffusion. There are four factors of innovation discussed as follows:

- For Company
- For Market
- Product Innovation
- Technology Innovation

## LESSON 42

## POST PURCHASE DISSONANCE

**Diffusion process****Innovation and Diffusion Process**

Diffusion process was developed by Mr. Bass in 1971 and was published in the Journal of Marketing.

We have already discussed about the opinion leaders and market mavens in the previous lectures. Before moving to the detail of Innovation and Diffusion process, let us have a detailed differentiation between opinion leader and market maven.

| Interest        | Opinion Leader                  | Market Maven                    |
|-----------------|---------------------------------|---------------------------------|
| Knowledge       | Product Specific                | Variety                         |
| Leadership      | Buyers of new products          | Other Marketing Aspects         |
| Search Behavior | Specific Product Category       | All categories                  |
| Involvement     | High                            | Knowledge Gathering             |
| Brand Awareness | All brands of Specific Products | All brands of all product types |
| Assertiveness   | Low                             | High                            |
| Fashion         | Latest Trends                   | Not relevant                    |

Again the big question is how to identify and how to communicate with the opinion leaders. Marketers tend to communicate with opinion leaders so that they can influence people.

**Assumed Model of Opinion Leader Communication**

Mass Media → Opinion Leader → Opinion Seeker

Example of an ad.

“Tell your friend how much you like our product”

This message in advertisement is actually targeted to the opinion leader.

### Two Researches:

In the USA, a 12 week research was done to compare the effect of companies' websites and discussion blogs. Discussion blogs were found to be more effective.

Another research was conducted in which a group of people was given certain music records and asked to listen and discuss with friends. It was found that these records were voted for Top 10 Charts from that particular area.

### How innovators help in diffusion

Diffusion process is more at macro level that how product will be diffused in the market. On the other side, adoption process is more at the micro level.

There are few concerns in Innovation in Diffusion:

1. What is innovation
2. Channels of communication
3. Social system
4. Time
1. What is innovation
  - a. For Company
  - b. For Market
    - i. Few people have bought it
    - ii. For how long it has been in the market
  - c. Product Innovation
    - i. Discontinuous Innovation – e.g. from train to aeroplane, from radio to television. These are life changing innovations hence are called discontinuous innovation.
    - ii. Dynamic Continuous Innovation – e.g. cameras which give us advanced benefits and is a move to digital innovation. It does not change our life but give us better way of managing the things.
    - iii. Continuous Innovation – this is least disruptive. E.g. Telephone which gave us easy and quick way of communication. Let us look at the innovation that

took place in telephone. Similarly, if we could see the innovation in some other products.

| <b>Discontinuous Innovation</b> | <b>Dynamic Continuous Innovation</b>                                          | <b>Continuous Innovation</b>                                                          |
|---------------------------------|-------------------------------------------------------------------------------|---------------------------------------------------------------------------------------|
| Telephone                       | Answering Machine<br>Call waiting<br>Voice Mail<br>Caller ID<br>Phone Banking | Call on hold<br>Line in use<br>Redial<br>Autodial<br>Special numbers like 0800 & 0900 |
| Phonograph                      | CD Player                                                                     | Programmable CD Player                                                                |
| Computer                        | Notebook                                                                      | iPod                                                                                  |
| Automobile                      | Mini Van                                                                      | Car with Antilock Brake                                                               |
| Television                      | TV with Remote Control                                                        | HD Television                                                                         |

## LESSON 43

**CUSTOMER SATISFACTIONS AND COMMITMENT****Diffusion process (Continued)**

As we had discussed the product diffusion processes in the previous lecture.

**Diffusion Process**

- Macro level – Socio system
  - for example, doctors are the target market for medicine
  - In USA, fresh milk is preferred than packed milk.

**Two Factors**

- Individual acceptance
- Market acceptance

i-Phone – it took three years to diffuse in the market but when Apple launched i-Pad, it took only one year to diffuse. It indicates that hi-tech make the things easy for diffusion in the market.

**Innovation for Market**

- Exposure - 1000 people has brought the product
- For how long it has been in the market
- Related to product life cycle

**Innovation for Consumers****Diffusion Process**

Innovators --- Early adopters --- Early majority --- Late majority --- Laggards ---

Innovators – will not be brand loyal

Early adopters --- they will wait

Early majority - deliberate in their thought processes and are positive

Late majority – they are more skeptical. They look the things in a way that every thing is not good.

They always try to find out faults in the products.

## Product Life Cycle

Introduction --- Growth --- Maturity --- Decline

## Comparison of Product Life Cycle and Adoption Process

Introduction ----- Early adopter

Growth ----- Early majority

Maturity ----- Late majority

Decline ----- Laggards

## Implications

For every stage of product lifecycle, we can develop strategies and target specific customers.

## Factors influencing the diffusion

1. advantage of the product
  - a. if customers don't find any benefit in the product, then they will not be willing to purchase that product.
  - b. there has to be additional value for the customers.
2. Compatibility of the product
  - a. Product must fit-in with consumers' existing system
3. Complexity of the use
  - a. For example, old citizens are reluctant to use mobile phone initially as they couldn't operate but for young generation, it is very easy to use.
4. Tryability of the Product
  - a. Risk involved here because for the new products, you don't know that whether the product will work as per your desire. The more reduced the risk factor is, the more chances are for the acceptability.
5. Observability
  - a. The product which is more visible has more chances for its observation.

## Barriers of adoption

1. Laggards – laggards are the big barriers because they continue using the same.
2. Risk

If we recall, in the previous lecture, we have been discussing about the diffusion process and we discussed some concerns for innovation in the diffusion process. We had discussed that innovation is for company, for market and for product.

- d. For Company
- e. For Market
  - i. Few people have bought it
  - ii. For how much time it has been in the market
- f. Product Innovation
  - i. Discontinuous Innovation – e.g. from train to aero plane, from radio to television. These are life changing innovations hence are called discontinuous innovation. Change the old way of behaviors. It is new methods of living. E.g. Automobiles are changing rapidly and making the improvements in every new model.
  - ii. Dynamic Continuous Innovation – e.g. camera which gives us advanced benefits and is a move to digital innovation. It does not change our life but give us better way of managing the things. Another example is of computer in which initially Floppy was used to store the data but now USB is mainly used to store the data.
  - iii. Continuous Innovation – this is least disruptive. E.g. Telephone which gave us easy and quick way of communication. Let us look to the innovation took place in telephone. Similarly, if we could see the innovation in some other products.

| Discontinuous Innovation | Dynamic Continuous Innovation                                                 | Continuous Innovation                                                            |
|--------------------------|-------------------------------------------------------------------------------|----------------------------------------------------------------------------------|
| Telephone                | Answering Machine<br>Call waiting<br>Voice Mail<br>Caller ID<br>Phone Banking | Call on hold<br>Line in use<br>Redial<br>Autodial<br>Special numbers like 0800 & |

|            |                        |                         |
|------------|------------------------|-------------------------|
|            |                        | 0900                    |
| Phonograph | CD Player              | Programmable CD Player  |
| Computer   | Notebook               | iPod                    |
| Automobile | Mini Van               | Car with Antilock Brake |
| Television | TV with Remote Control | HD Television           |

## LESSON 44

### MODELS OF CONSUMER BEHAVIOR AN INTEGRATIVE FRAMEWORK

#### Diffusion process (Continued)

As we have been talking about the diffusion process in previous lecture where we have discussed certain steps of diffusion process which were as follows:

#### Diffusion Process

Innovators --- Early adopters --- Early majority --- Late majority --- Laggards ---

Innovators – will not be brand loyal

Early adopters --- they will wait for innovators to try the product they adopt the new product earlier but carefully.

Early majority - deliberate in their thought processes and are positive

Late majority – they are more skeptical. They look the things in a way that everything is not good. They always try to find out faults in the products.

When we compare this model with product life cycle, we see the following:

Introduction ----- Early adopter

Growth ----- Early majority

Maturity ----- Late majority

Decline ----- Laggards

Now let us look to the diffusion process:

**Diffusion Process:** there are two main steps of diffusion process:

1. Adopters
2. Social System
  - Target market and segment
  - a combination of people and values system creates a social system
  - There are two broad categories of social systems

- *Modernistic social system*

- Positive attitude towards change
- Advance and technically skilled
- Respect for education and science
- Rational and logical
- Outreach of ideas
- Multiple roles

- *Traditional social system*

- Another important factor in adoption process is time
  - Time – Category of adopters – rate of adoption

## Implications for Marketers

- Communicate and demonstrate value
- Price promotional framework
- Incentives
- Product samples
- Place / Distribution system
- Identifying opinion leaders

Marketing Research will help us to cope up with all these challenges.

## Adoption Process

### Micro Level

- The process in which an individual passes through certain stages and adopt a product.
- Two important aspects
  - At which time the consumer perceives a gap of need
  - The solution – in form of new product

## Five Stages of Individual Adoption Process

1. Awareness
2. Interest
3. Evaluation
4. Trial
5. Rejection or Adoption

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**LESSON 45**

**CONSUMER DECISION MAKING AND BEYOND TO CONSUMER  
RELATIONSHIP MARKETING**

### **Diffusion process (continued)**

In the last session, we had discussed about the adoption process and its important stages. Today, we intend to discuss consumer decision making.

### **Consumer Decision Making**

Three levels of consumer decision making

1. Extensive problem solving behavior
  - a. where consumer is not aware about the features of the products available to him/her
  - b. No specific criteria in consumer's mind
2. Limited problem solving
  - a. Some information is available to consumer
  - b. Evoke Set – which we will normally use to make purchase decision.
  - c. Excluded set – we decide that we will not even touch that specific product.
  - d. Inert set – some sort of set exists but we didn't think to use that.
3. Routinized Problem Solving
  - a. The brand about which we are already aware of but normally go in further details so that we can get aware of the changes.
  - b. Major concern for marketers of new products. Marketers normally try to convince the consumers in this perspective. Marketers need to make creative changes to attract the customers.
  - c. Generation Y is less brand loyal because of the varying choices and characteristics.
  - d. Marketers will try to retain the customers by giving them what they want.

## Capture strategy to retain customers using limited decision making

- Marketers will try to promote those features which are the top priority for the target customers. For example, Head & Shoulder promotes “dandruff free”.
- To achieve, it is important for marketers to understand some consumer behavioral theories

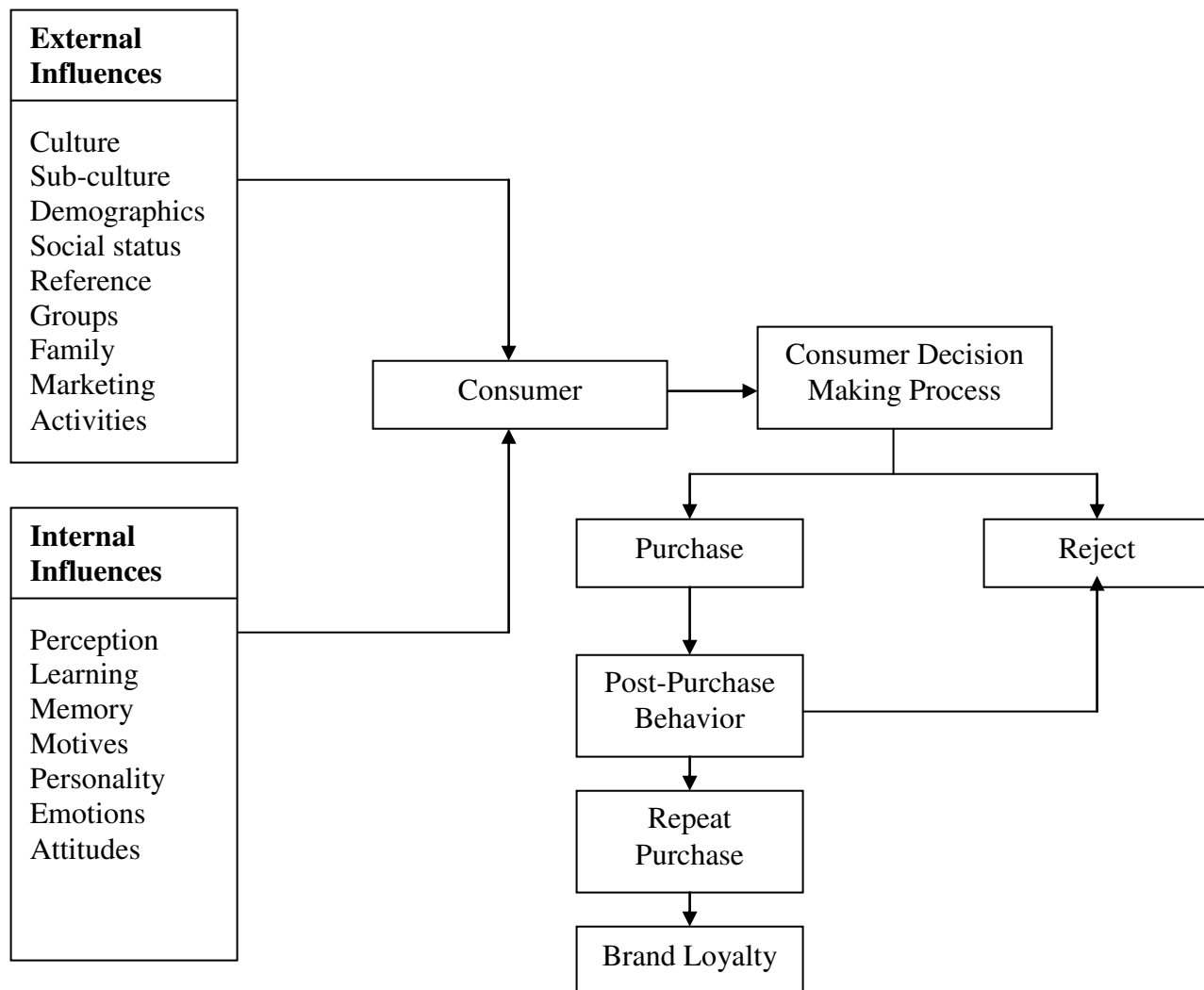
## Consumers' Approach Theories

There are four different perspectives:

1. Economic / Rational Theory
  - a. Consumers have all information
  - b. Capable of evaluating all information
  - c. Can evaluate all alternatives
2. Passive View Theory
  - a. Consumers are passive and only receive information.
  - b. They don't have specific view and marketers can provide whatever he/she wants.
3. Cognitive View Theory
  - a. Thought processes are involved
  - b. Consumers have desire to solve problems
  - c. Goal Oriented
  - d. Thinking process is involved
  - e. Customer has limited amount of information
4. Emotional Model
  - a. Consumers are emotionally motivated to buy
  - b. Memorabilia – those things/associations which we keep with ourselves for a long period of time.
  - c. Aesthetics are important in emotional model

Now finally we would like to draw whole consumer behavior model to make you understand that how consumers take action in response of marketer's strategies.

## Basic Consumer Model:



## Relationship Marketing

If marketers succeed in satisfying the customers, they will intend to build long term relationships with them.

- Building trust between brand and consumer
- According to meta analyses, in relationship marketing:

- More than 70% are focused on communication
- It is needed to deliver something more to get customer loyalty
- Offering club memberships

This is the end of lectures. We had tried to cover all the important aspects of consumer behavior. Please do consult text books to get comprehensive knowledge about consumer behavior.