

# **CHAPTER – 1**

## **THEORETICAL FRAMEWORK**

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### **1.1 INTRODUCTION**

In the age of globalization, the marketplace has become highly competitive, the one that reflects a cut-throat competition in many spheres of consumer product related industries. Marketers are often found engaged in price and non price wars to attract the customers and capture high market shares. The entry of global players in the Indian market because of liberalized Government policies, the financial and other megamarketing skills of these global giants, the socio cultural changes taking place in India, the rising levels of Per Capita Income, the increasing marginal propensity to consume, the strength and weaknesses and competitiveness of the domestic players against the multinationals, increasing levels of literacy rates, decreasing gender discriminations and increasing global strategic alliances are some of the major trends affecting and bothering markets across India in which the world is no longer an exception. It will be interesting to study the various aspects of buying decisions and behaviour of consumers under such global changes in the Indian marketplace.

### **1.2 PRODUCT AND PRODUCT CLASSIFICATION**

#### **1.2.1 PRODUCT**

'Product means anything that can be offered to a market for attention, acquisition, use and consumption that might satisfy a

need of want' While in a narrow sense a product is a set of tangible physical attributes assembled in an identifiable form, a broader sense identifies each brand as a separate product. Because of its ability to convey a product difference to the consumers, this brings the concept of consumer want-satisfaction into the definition. Any change in a physical feature like; design, colour, size, packaging, creates a new product and gives marketer a chance to cash on it through an effective promotion appeal. The product also include other essential elements of features like price at which it is bought, the place where it is bought and the other store services a consumer gets. All these thus sum up to present a Product as a combination of the basic product, package, price, promotion and service. The product thus means a set of tangible and intangible attributes, including packaging, colour, price, manufacturer's prestige, retailer's prestige and manufacturer's and retailer's services. Because the consumers are buying want satisfaction and a set of physical attributes, it is in the best interest of a firm to sell product benefits rather than just products as it is rightly said by Elmer Wheeler, "Don't sell the steak, sell the sizzle."<sup>1</sup>

Product means need satisfying offering of a firm. A consumer buys satisfaction, not parts or the product alone and as such it is essential to treat product as potential customer satisfaction or benefit. Most customers think about a product in terms of the total satisfaction it provides and that satisfaction may require an

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<sup>1</sup> William J. Stanton, Charles Futrell, 'Fundamentals of Marketing', Eighth Edition, McGraw-hill international, U S A 1987

offering that is a combination of excellent service, a physical good with the right features, useful instructions, a convenient package, a trustworthy warranty and perhaps even a familiar name that has satisfied them in the past <sup>1</sup>

A product is anything that can be offered to a market to satisfy a want or need. Products that are marketed include physical goods, services, experience, place, events, idea, person, properties, organizations and information <sup>2</sup>

Almost everything we come across in our daily life is a product because all of them have some utility, all of them have a capacity to satisfy some human needs. These 'Utility' indicates the want satisfying power of anything that we come across, not necessary that we may buy. Marketing starts with the identification of human needs and culminates with the satisfaction of those needs.

A marketer does this with by creating and offering something (a combination of tangibles and intangibles or a product) to meet their needs and win the customer. So the product is defined as a 'need satisfying entity' <sup>3</sup>

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- 1 William D Perreault, Jr, E Jerome McCarthy, 'Basic Marketing' A Global-Managerial Approach, 14<sup>th</sup> edition
  - 2 Philip Kotler, 'Marketing Management', The Millennium Edition, Prentice Hall of India Pvt Ltd, New Delhi, 2001
  - 3 V S Ramaswamy, S Namakumari, 'Marketing Management- Planning, Implementation & Control, 3<sup>rd</sup> Edition, Macmillan Business Books, Delhi

### 1.2.1 PRODUCT CLASSIFICATION

A product can be classified on the basis of Durability and Tangibility as:

- a) **Non-durable goods:** Non-durable goods are basically tangible goods (i.e. which can be seen and touch) normally consumed in one or few uses. The product life is short either because of some inherent aspects of the product itself or because of the high product usage like; Soap, Toothpaste, Chocolate, Soft -drinks, Milk, Ice cream, Butter etc. Because these goods are consumed quickly and bought frequently, it is required for marketers to make them available at convenient locations, charge small marks-ups and advertise heavily to induce trial and build preference. Not to ignore is the fact that some types of non-durable products may have high social visibility as in the case of clothing or cosmetic items and may reflect on the consumer lifestyle. These clothes are relatively lower in cost and are bought and replaced more frequently than durable goods.
- b) **Durable goods:** Durable goods are tangible goods that normally survive many uses, like, Television, Refrigerator, Car, Clothing, Personal computer, Washing machine etc. They normally require more personal selling and service, command a higher margin, and require more seller guarantees. Typically durable goods have higher and longer social visibility and tend to reflect the general and economic status of the consumer. Henceforth the consumer's decision

to purchase durable product would use a high involvement decision process. This is because of the fact that durables are of more relevance, importance and expense to the consumers as compared to the non-durables so they normally extend their decision making process with a great amount of information

- c) **Services:** Services are 'for hire' intangible activities that may benefit, support or satisfy the consumer. Services are intangible, inseparable, variable and perishable products. As a result, they normally require more quality control, supplier credibility and adaptability. They include services like a restaurant, a movie theatre, railway, a cyber café etc.

Products can also be classified as Consumer goods and Industrial goods in the following manner.

- a) **Consumer goods:** They are products for use by ultimate household consumers for nonbusiness purposes. Consumer goods are further classified on the basis of shopping habits of consumers as convenience, shopping, specialty and unsought goods.
  - Convenience goods are usually purchased frequently with a minimum of effort and consumed almost immediately and the consumer has complete knowledge of the particular product wanted before buying it like; soaps, chocolates, toothpaste etc. They can further be divided into *Staples*, that consumers buy on a regular basis, like; Parle-G biscuits,

Kissan tomato ketch-up etc. *Impulse goods* are bought without any planning or search effort, like, soft drinks during a movie. *Emergency goods* are bought when a need is urgent like, umbrellas during rainy season. From marketers' viewpoint convenience goods must be readily available when the demand arises, so the marketer must secure a wide distribution. The role of wholesalers becomes important in this regard. For promotion both manufacturer and retailers are involved here but typically for advertising the burden shifts on to the manufacturer alone <sup>1</sup>

- Shopping goods are goods for which the customer compares suitability, quality, price, and style in several stores before buying them, like, Car, Television, Refrigerator etc. This search goes on till the customer believes that the gain from the comparison of products offsets the additional time and effort required. They are further divided as *Homogeneous shopping goods*, which are similar in quality but different enough in price to justify shopping comparisons, like, a Sony music system and Sansui music system. *Heterogeneous shopping goods* differ in product features and services that may be more important than price, like, a Hero Honda motor cycle and a Chinese made one available in major cities of India these days with comparatively very low price. The manufacturers of shopping goods require few outlets because consumers are

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1 Ibid, P 3

willing to look around a bit for what they want. Manufacturers, as they select fewer outlets, depend more on selected ones. Retail stores usually buy large quantities normally from the producers directly. Finally the store name and image are normally more important for the buyers than the manufacturer's name.

- Specialty goods are goods with unique characteristics of brand identification for which a sufficient number of buyers are willing to make a special purchase effort. They have a strong brand preference. The consumer is ready to forgo more accessible substitute to get the wanted one even though it requires more expenditure and time. Examples include wedding suits, cars, and certain other home appliances. Here also manufacturers can afford to use fewer outlets. The manufacturer directly deals with the retailers and retailers depend a lot on manufacturers if the franchise to be carried is valuable one. Both advertise the product extensively. Success of both is interdependent.
- Unsought goods are goods the consumer does not know about or does not think of buying, like; an insurance policy, a car seat belt, a burglar alarm etc. They require monumental advertising and personal selling to sell them.<sup>1</sup>

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1 Ibid, P 3



**Industrial goods:** They are products intended to be sold for use in producing other goods or rendering service in business. They can be classified in terms of how they enter the production process and their costliness. They are distinguished in three groups

- Materials and Parts (Raw material- farm products and natural products, Manufactured materials and parts- component materials and component parts)
- Capital items (Installations and Equipments) and
- Supplies and business services (Supplies- operating supplies and maintenance and repair items, Business services – maintenance and repair service and business advisory services)

In case of the industrial purchase process also product attributes have been found relatively important along with the company attributes. This was revealed in a study, which indicated that in case of purchase of major capital items under a new buying situation, the buyers attach high importance to technical and service backup. Whereas, in case of purchasing minor capital items under a modified rebuy situations, buyers attach equal importance to price and delivery terms along with technical details of the purchase <sup>1</sup>

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<sup>1</sup> S. Muralidharan & S. Jaychandran, 'Relative importance of product and company attributes in the industrial purchasing process: An empirical study in the Indian environment', Marketing management: New paradigms, Deep & Deep publications Pvt. Ltd., New Delhi

### **1.3 CONSUMER DECISION MAKING AND BEHAVIOUR**

A decision on the part of an individual represents his or her judgement, a resolution he/she may offer to the conflict of their needs, and it may be a final destination or goal for him/her or a means to reach to a goal. As a matter of fact a decision is a commitment made to action (to choose from available alternatives). These commitments are largely made in face of uncertainty, irrationality and often complexity. A decision may involve individual and social phenomenon and might be based on Factual as well as Value premises. Three aspects of human behaviour are important in decision making namely a) Cognition – decisions and activities based on comprehension, knowledge and perception of a human mind, b) Affection – decision and activities associated with emotions, feelings, mood and temperament and c) Conation – decision and activities inferred by willingness, desire, liking and aversion. Decision-making implies that there are alternatives available to choose from and that a decision without a choice is not really decision at all, but is a forced choice. It also implies freedom to choose for the individual but does not mean that the choice will have to be made rationally on the contrary it is largely judgemental and emotional. Last but not the least it is important to notice that every decision is made to achieve a particular goal or set of goals, no decision is without any direction.

A consumer in the highly competitive market plays different Buying Roles in the process of Buying Decision. Though it is easy to identify the buyer for many products, the marketers must be very careful in

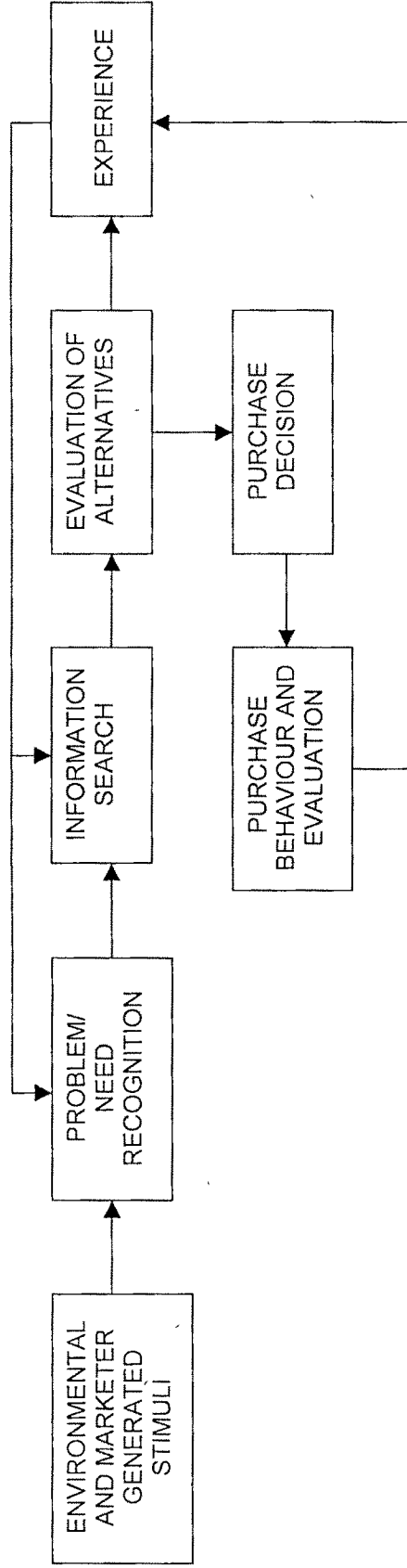
making their targeting decisions because buying roles change. We can identify five such different roles

- 1 Initiator A person who first suggests the idea of buying the product or service
2. Influencer: A person whose views or advice influences the buying decisions
- 3 Decider A person who decides on any component of a buying decision, whether to buy, what to buy, where to buy, how to buy etc
- 4 Buyer A person who actually purchases a product or services
- 5 User A person who actually consumes or uses the product or services.

A consumer makes certain types of consumption and purchase-related decisions like, a) Basic purchase or Consumption decision to decide whether to buy or not and/or to consume or not, b) Brand purchase or Consumption decision to decide which brand to buy and consume and whether to change a brand, c) Channel purchase decision to decide whether to buy from a specific store or from other type and d) Payment purchase decisions to decide as to how to pay for the purchases made i.e. whether by cash or credit/debit card, to avail installment facility etc. In the field of Consumer behaviour, a consumer is often generalized according to one or more of the decision-making models of men. These models are a) Economic man model – the one that assumes that consumers always make rational decisions by firstly being aware of all the possible alternatives available, analyzing and ranking them and being able to choose the

best one to satisfy needs, however because of the limited/bounded rationality it is not possible largely to always act rationally, b) Passive man – the one that depicts that consumers are basically subject to manipulation by the marketers because they are treated as impulsive buyers and unresisting to the promotional efforts of the marketers however these assumptions do not take into consideration the active role played by the consumer during buying decisions for searching for various alternatives, c) Cognitive man – one that characterizes consumers as thinking problem solvers, information processing units who might use Preference formation strategy to allow others to frame preferences for them and also might use simple decision rules to cut the information overload and d) Emotional man – the one that assumes that a consumer attaches a set of deep feeling, moods and emotions in case of certain purchases, which might reveal the level of involvement that a consumer has with a purchase. One cannot infer that an emotional man does not make rational decisions on the contrary purchasing product or service that offer emotional satisfaction to the consumer is often perfectly rational. The consumer buying process is better understood with the help of a model given below:

A TABLE OF CONSUMER DECISION MAKING AND BUYING PROCESS



Consumers are highly exposed to the marketers' efforts to communicate and offer the products and services to them. These stimuli offered by the marketing programmes depend totally on consumer perception. Whether or not the programmes and strategies are effective insofar reach and impact depend on whether they are selected to be perceived by the consumers or not. Often consumers suffer from information overload that may reduce the chances of reception or effective reception of the messages and thereby adversely affects the effectiveness of communication. This is the reason that makes marketers keep track with the consumer perceptions and carefully differentiate their products from that of competitors. Along with the stimuli offered by the marketers, another stimuli are offered by the environmental factors, which are

largely Socio-cultural factors for the consumers associate their purchases with them. This includes their family, other reference groups and informal sources, social class and cultural and sub-cultural sources. All these including their families and friends affect one or other components of decisions taken by the consumers and help them evaluate the products pre-purchase and post-purchase. Problem recognition, information search and pre-purchase evaluation are highly influenced by the consumer psychology consisting of their attitudes, perceptions, motivation, learning and personality. The consumer psyche helps him or her determine the Perceived Risk involved in the purchase decisions and Evoked set, Inert set and Inept set. Both these actually are reflected in the decision process. A need is recognized when a problem is faced. A need is basically a felt deprivation or a lack of something. This gives birth to the pre-purchase information search. It is important to notice here that a consumer's level of involvement with a product, perceived risk and his past experience determines the level of information search that is going to be carried on. If the level of involvement is high and the past experience is missing, he might involve in an extensive information search and vice -e- versa. Consumer decisions are largely based on a mixture of internal sources like, past experiences, external sources like, marketer generated stimuli and informal sources. After information search they carefully develop an Evoked set and select important criteria to make pre-purchase evaluation. These criteria that consumers develop for evaluating the various brands involve their evoked sets and important **Product Attributes**. Various product attributes play a major role at the pre-purchase evaluation stage of the buying process based on which consumers take decisions to buy

or not to buy, to adopt or to reject and if the attributes are used as standards on the basis of which consumers frame their expectation for satisfaction and compare that with the perceived performance of the product, they may be able to decide to continue or to discontinue using a brand. In short Product attributes help consumers in carrying on their psychological processes like: perception and imagery formation, attitude formation, learning, motivation and personality. Their purchase actions are consisted of either a Trial or First time purchase or Repeat purchase. If they are satisfied with the trial purchase they might go for a repeat purchase, which might result into a beginning of developing brand loyalty. Both their Pre-purchase evaluation and Post-purchase evaluation and behaviour generate experience that might prove useful to the consumer in future decisions in problem recognition and information search.

Often it is more difficult and burdensome activity for the consumers to take decisions regarding the purchase of various products. This is especially true when the buying decision is a complex one and demands more of the time, efforts and money on the part of the decision maker. In order to facilitate themselves and keep away from the burden of the long decision process, consumers often use Simple decision-making rules, also better known as Heuristics, Decision strategies and Information-processing Strategies. These decision rules are classified as Compensatory rules – the ones that allow consumers to offset the negative evaluation of a particular brand on one or more attributes by the positive evaluation of one or more attributes of the same brand during the process of evaluation for weighing and scoring the attributes of various brands and selecting

the one with the highest rating/score and Non-compensatory rules – the ones that do not allow the consumers for the same kind of offsetting aforesaid. These Non-compensatory rules are further classified as Conjunctive rules – that help consumers establish a minimum cut-off acceptance level for each attribute for eliminating the possible ones, Disjunctive rules – that are almost same as conjunctive ones except the cut-off level, which is set normally a little higher and Lexicographic rules – that make consumers rank various attributes according to significance, compare various brands against the attribute considered most important and select the one that ranks the best on the same. (In case of more than one brand ranking best on the same attribute, the second most important attribute is considered and this repeats until a clear best brand comes out to be chosen) Consumers may apply any of the rules or a combination of a couple of them. Another rule is Affect referral rule in which a consumer uses his/her memory to recall a brand from the evoked set to make a choice. Here no further evaluations and attribute comparisons are required because they have already been performed during some past related product purchase henceforth consumers retrieve the brand with highest rating and make a buying decision.

The term consumer behaviour refers to the behaviour that consumers display in searching for, purchasing, using, evaluating, and disposing of products and services that they expect will satisfy their needs. The study of consumer behaviour is the study of how individuals make decisions to spend their available resources (time, money, effort) on consumption-related items. It includes the study of what they buy, why they buy it, when they buy it, where they buy it,



how often they buy it, and how often they use it<sup>1</sup> Take the simple product Toothpaste. What types of toothpaste do consumers buy (gel, regular, striped, in a tube, with a pump); what brand (national brand, private brand, generic); why do they buy it (to prevent cavities, to remove stains, to brighten or whiten teeth, as a mouthwash, to attract romance); where do they buy it (retail store, supermarket, medical store or wholesale store), how often do they use it (when they wake up, after each meal, when they go to bed, or any combination thereof), how often do they buy it (fortnightly, monthly, bimonthly)? Further more they are also interested in learning how consumers actually use the products and how do they dispose it off after usage. Consider a durable product, Television; Do consumers buy television for home use? Do they buy for their shop or work place? Are they corporate buyers? What features do they look for? What benefits do they seek?

How likely are they to replace their old models when new models with added features become available? The answers to these questions can be found through consumer research, and provide television manufacturers with important input for product scheduling, design modification, and promotional strategy.

Consumer behaviour as a field of psychology has three basic goals; To measure and describe behaviour, To predict and control behaviour and To understand and explain behaviour. All psychological concepts – such as learning, anxiety, attitudes etc. - must be describable and measurable. Prediction and control can be successful only if the measurement and description have been

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1 Leon G Schiffman, Leslie Lazar Kanuk, Consumer Behavior, Fifth Edition, Prentice-Hall of India Pvt Ltd , New Delhi, 1997 P-7

precise and accurate. They typically use past behaviour to predict the future one, for instance the success of a sales promotion scheme in terms of its capacity to persuade consumers to buy can be predicted on the basis of such a campaign launched during the last year in the same season. Being able to predict is then used to control the behaviour by making consumer learn not to switch to a competitor's brand or making new and more uses of our products or developing a sense of belongingness and identification with our product. Understanding and explaining behaviour requires us to put forth reasons for the behaviour observed by formulation of theories in keeping with known facts and the development of hypothesis about the relationships that may need proving <sup>1</sup>

The consumer decisions and behaviour have now become more unpredictable than ever before. "Youngsters would spend on a car straightway rather than a two wheeler, but would be extremely careful about the price they pay for groceries and other things. In some cases they have completely rejected traditional provision stores."<sup>2</sup> Most of the consumer durable manufacturing companies found it difficult to justify their behaviour of building stocks of white goods for festive season in the year 2005, when they were faced with a major slump in the demand in the last quarter of 2005. Additionally the major industry players were unable to put a finger on the real reasons for the depressed demand. The resultant action on the part of the companies was to decrease the production of fresh stock and imports from abroad <sup>3</sup>

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1 Op Cit P 16

2 Prof Jagdish Sheth, (Emory University) Brand Equity, Economic Times, 27<sup>th</sup> December 2005, New Delhi

3 Kala Vijayraghvan and Lijee Philip, 'Durable Companies cut output as demand slackens', Economic Times, 27<sup>th</sup> December 2005 New Delhi

## 1.4 CONSUMER DECISION TYPES

For better understanding of Consumer Decision Making (CDM) models there is a need to differentiate between purchase involvement and product involvement before taking up the different kinds of CDM. Purchase involvement is the interest in purchase process triggered off by a need to consider a particular purchase. This kind of involvement is short term and may involve an individual or a family. Product involvement is enduring and consumers may be involved with a brand (Colgate, for example) or with the product category of toothpastes. A high degree of involvement with a brand may form the basis of brand loyalty and a loyal consumer may prefer the brand without much information on it or evaluation. Purchase and product involvement may have several implications for marketers. For example, a situation can be highlighted to create purchase involvement and brand attributes to create brand involvement.<sup>1</sup>

**Habitual CDM:** This kind of CDM involves a very little or no decision-making at all. The consumer buys his / her preferred brand whenever a need arises and the evaluation of the brand may take place only when it fails to perform as expected. This kind of CDM happens only when there is very low involvement with the purchase. In such situations, even the alternative of not buying the product may not arise. For example, a consumer who has run out of toothpaste may buy the same brand. There can be two types of decisions under habitual (also referred to as nominal decision-making) decision-making – brand loyal and repeat purchase decision.

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1 S. Ramesh Kumar, 'Conceptual Issues in Consumer Behaviour – The Indian Context', Pearson Education Pvt. Ltd., New Delhi, 2003, p p 41 – 46

Repeat purchase decision (without loyalty) are the ones which the consumer makes without staying committed to the brand. This may be out of sheer inertia or non-availability of other brands or alternatives. There is another situation in which consumers may buy a brand sans commitment. A consumer may keep buying a brand of detergent until another brand challenges the logic of buying the former.

**Limited CDM:** This CDM exists between habitual or nominal CDM and extended CDM. The difference between habitual and limited CDM is that the consumer may search for limited information before taking the decision. A consumer who has run out of tea may compare brand prices or sales promotion offers. He / she may want to try a new brand and hence, may get information on the quality of tea leaves, brand use or even consider the newness of an offering. In limited CDM, there may be internal search (memory) as also limited external search. Normally, limited CDM also occurs in low – involvement conditions. In both nominal and limited CDM post-purchase dissonance is highly improbable.<sup>1</sup>

**Extended CDM:** This kind of CDM reflects a high level of purchase involvement. An extensive memory search or an external search results in complex decision-making in which a number of alternatives / choices are open to consumer. There can be dissonance after purchase on the correctness of the decision. Extended or complex CDM is likely to occur when the unit cost of the product is high and when there is a great deal of involvement as stated earlier. Products

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1 Op Cit P. 18

like cars, PCs, homes and televisions are categories, which are likely to go through this kind of decision-making. There are also certain products / services which are likely to receive significant emotional inputs in the CDM process and they may be as important as the cognitive information associated with the evaluation of high-involvement products.

Marketers can, through primary research, find out the degree of involvement (even in durable products), dissonance – including aspects (post purchase), how a specific brand addresses the dissonance (with its unique offerings as against competition) and how specific marketing mix elements can be fine-tuned to the expectations of consumers. For example, a washing machine or a refrigerator brand claiming low consumption of electricity should be in a position to demonstrate its claim under regular operating conditions. In the absence of this exercise dissonance is likely to set in, especially in a competitive positioning context.<sup>1</sup>

### *Brand and Consumer Decision Making*

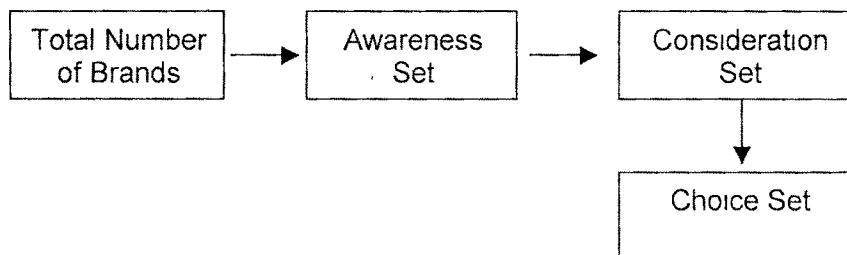
It would be of interest for marketers to examine how consumers decide to buy a brand. This has a number of implications on brand positioning, introducing trial offers or examining what kind of objectives advertising should have in a given situation and brand. Should the advertising enhance brand awareness so consumers consider it or should it mention and highlight brand benefits so that consumers use the information in the final phase of decision-making?

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<sup>1</sup> Ibid, P. 18

It will also be useful for marketers to find out about consumer-readiness with regard to purchasing the product category so that it can be appropriately used for communication strategies. For example, an answer to what kind and how many consumers use Deodorant Soap currently and how many are prepared to try it can provide useful information. Further, awareness of brands (like– Cinthol, Godrej) in the category and awareness levels of new brands will also be useful. At the next level of product differentiation, it may be worthwhile to find out how many consumers are willing to try out a brand, which can be used to segment as well. As it is obvious, awareness of the category, brand, benefits, perception of benefits and intention to buy the category / brand are critical when specific stages of brand consideration are thrashed out for formulating strategy <sup>1</sup>

The 'brand set' CDM process (to be used along with the basic CDM model and types of CDM) is shown below



#### **'Brand Set' CDM Process**

Adopted from Conceptual Issues in Consumer Behaviour, The Indian Context – S. Ramesh Kumar Pearson Education Pvt. Ltd. New Delhi 2003

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<sup>1</sup> Ibid, P. 18

The consumer for any product category progresses from 'total number of brands' to choice set (impact of different stages may vary from FMCG products to durables) The 'total number of brands' refers to the total number of brands in a category available in the market (for example - Whitening Toothpaste Brands). 'Awareness set' refers to the set of brands of consumer is aware of in a specific category. 'Consideration set' is a set of brands a consumer is likely to consider based on his / her criteria and 'choice set' is the set of brands from which the consumer takes the final decision on buying a specific brand.

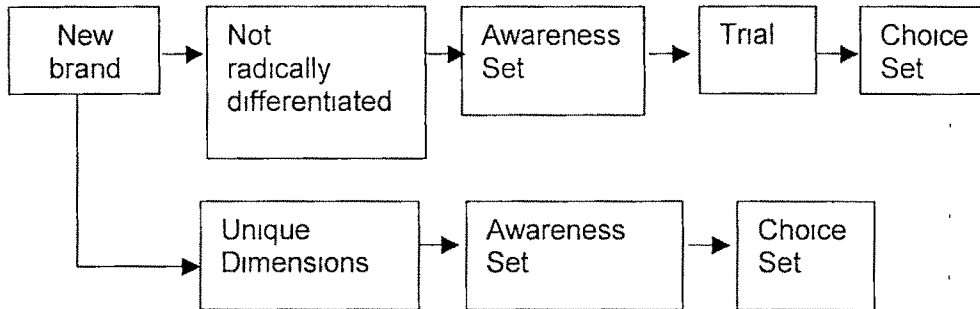
While product / market situations and USP of brand and other details from primary research data is to be considered before the brand can finalize its strategies using the 'brand set' mode, it is further required to understand Point – of – Purchase (POP) material at retail outlet is useful in influencing the purchase decision of the consumer. This means that in certain categories (especially FMCGs), POP material can take a brand into the 'choice set' stage at the point of purchase (retail outlets) In certain categories of durables, information on new features can place a new brand in the 'choice set' of consumers. This is advantageous to brand in durables, which are high – involvement purchases where there can be a number of established brands strongly placed in the 'awareness' or 'consideration set'. For example, there were a number of well known / established brands in the Refrigerator and TV markets when LG entered these product categories in India – Godrej, BPL, Videocon, Akai, Kelvinator and Voltas to name a few. But LG's success can be attributed to its positing based on novel features in these categories which placed the brand in the 'choice set' stage of CDM model<sup>1</sup>

LG's TV had the golden eye feature ('wrinkle-free' easy viewing) and its refrigerators came with the 'nutrition – preservation' feature when most competitive brands were positioning themselves on traditional

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1 Ibid, P 18

propositions. It should be noted that the 'choice set' connected with LG in this situation is relevant to those consumers who were looking for novel features in their TVs or refrigerators. In the TV category, LG appealed more to the replacement (CTV) segments.



### Branding and 'Choice Set'

Adopted from Conceptual Issues in Consumer Behaviour, The Indian Context – S. Ramesh Kumar Pearson Education Pvt. Ltd. New Delhi 2003

The following are the important aspects about this model.

1. It provides directions for new brand to make an impact on consumer psyche.
2. With appropriate strategies, it may be possible to eliminate stages or at least ensure a short period of transaction across stages in the 'brand set'.
3. There is a need to use specific strategies (communication as well as other aspects of marketing mix elements) to take the consumer quickly to the 'choice set' stage. Besides the brand can also come out with special packages, which could get the attention of consumers in the retail environment.



The 'brand set' model provides creative scope for marketers to consider moving a brand from one stage to the other depending on the changes in needs and psychographics of consumers and competitive offerings. It can be used as a tool in a dynamic environment<sup>1</sup>

## **1.5 CONSUMER DECISION MAKING MODELS**

Below mentioned are six comprehensive models of consumer behavior.

The first three models focus on consumer decision making especially on how individual consumers arrive at brand choices. The fourth model deals with family decision-making in which particular attention is given to factors that influence the extent and nature of family member contributions to a purchase decision. The fifth model depicts consumer information – processing perspective. It focuses on the cognitive aspects of information search and processing, and indicates how consumers use information to arrive at various types of buying decisions. The sixth model is concerned with consumption values, especially why consumers choose to buy or not buy (or use or not use) a certain product, type of product, or specific brand.

### *NICOSIA MODEL*

The Nicosia model focuses on the relationship between the firm and its potential consumers. In the broadest term, the firm communicates with consumer through its marketing (advertising), and consumer communicate with the firm by their purchase responses. Thus the Nicosia model is interactive in design. The firm tries to influence

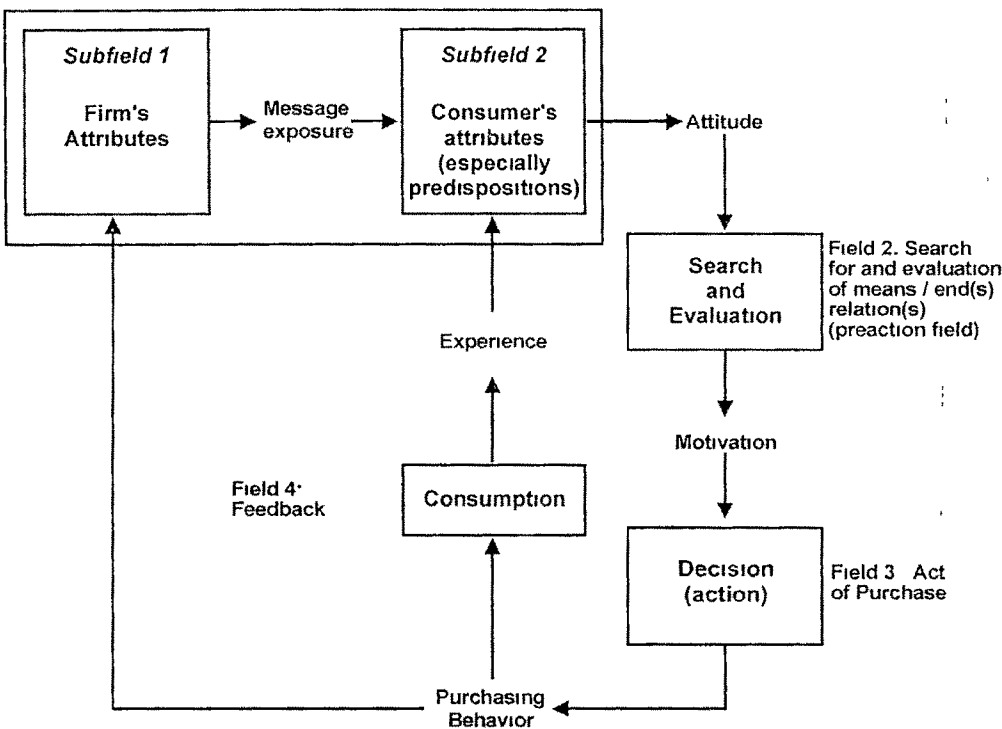
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1 Ibid, P. 18

consumers, and the consumers – by their actions (on inactions) – influence the firm.<sup>1</sup>

Summary Flowchart of the Nicosia Model of Consumer Decision Processes

Field 1 From the source of a message to the consumer's attitude



Original Source Francesco M Nicosia, Consumer Decision Processes (Englewood Cliffs, NJ Prentice Hall, 1966)

Adopted from Leon G Schiffman, Leslie Lazar Kanuk, Consumer Behavior, Fifth Edition, Prentice-Hall of India Pvt Ltd , New Delhi, 1997 P-645

In its original form, the Nicosia model is an elaborate computer flowchart of the consumer decision – making process. Figure presents a summary flowchart that highlights the full model. The Nicosia model is divided into four major fields: (1) the consumer's attitude based on message exposure, (2) the consumer's product

1 Ibid, P 16

search and evaluation, (3) the act of purchase, and (4) feedback in the form of consumer experience to both the firm and consumer

#### *Field – 1. The Consumer's Attitude Based on the Firm's Messages*

The first field of the Nicosia model is divided into two subfields. Subfield 1 includes aspects of the firm's marketing environment and communications efforts that affect consumer attitudes, such as product attitude, the competitive environment, characteristics of relevant mass media, the choice of copy appeal, and characteristics of the target market. Subfield – 2 specifies various consumer characteristics (e.g. personality, experience that mediate reception of the firm's promotional messages)

The output of Field 1 is an attitude towards the product based on the consumer's interpretation of the message

#### *Field – 2: Search and Evaluation*

The second field of the Nicosia model deals with the search for relevant information and evaluation of the firm's brand in comparison with alternative brands. The output of this stage is motivation to purchase the firm's brand. (Of course, evaluation could also lead to rejection of the firm's brand, however, the model illustrates a positive response.)

#### *Field – 3: The Act of Purchase*

In the third field, the consumer's motivation towards the firm's brand results in purchase of the brand from a specific retailer.<sup>1</sup>

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<sup>1</sup> Ibid, P. 16

#### *Field – 4 Feedback*

The final field consists of two important types of feedback from the purchase experience on to the firm in the form of sales data, and the other to the consumer in the form of experience (satisfaction or dissatisfaction) The consumer's experience with the product affects the individual's attitudes and predispositions concerning future message from the firm

#### *HOWARD – SHETH MODEL*

The Howard – Sheth model distinguishes among three levels of learning (i.e. stages of decision making)

- 1) **Extensive problem solving** takes place when the consumer's knowledge and beliefs about brands are very limited or nonexistent, and he or she does not have specific brand preference Here the consumer actively seeks information concerning a number of alternative brands
- 2) **Limited problem solving** takes place when the consumer's knowledge and beliefs about the brands are only partially established, and he or she is not fully able to assess brand differences in order to arrive at a preference Some comparative brand information is sought, although the decision criteria are likely to be fairly well defined
- 3) **Routinized response behavior** occurs when the consumer's knowledge and beliefs about the brand its alternatives are well established, and the consumer is predisposed to the purchase of one particular brand.<sup>1</sup>

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1 Ibid, P 16

Following Table summarizes the main characteristics of each of these three stages of decision-making

The model consists of four major sets of variables (1) inputs, (2) perceptual and learning constructs, (3) outputs, and (4) exogenous (external) variable (not depicted in Figure).

*Inputs*

The input variable consists of three distinct types of stimuli (information sources) in the consumer's environment Physical brand characteristics (significant stimuli) and verbal or visual product characteristics (symbolic stimuli) are furnished by the marketer in the form of product or brand information. The third type of stimulus is provided by the consumer's social environment (family, reference groups, social class). All three types of stimuli provide inputs concerning the product class or specific brands to the prospective consumer.<sup>1</sup>

Table: Characteristics of the Three Stages of Decision Making

| STAGE                        | AMOUNT OF INFORMATION NEEDED PRIOR TO PURCHASE | SPEED OF DECISION |
|------------------------------|--|-------------------|
| Extensive Problem Solving    | Great  | Slow              |
| Limited Problem Solving      | Moderate                                       | Moderate          |
| Routinized Response Behavior | Little   | Fast              |

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1      Ibid, P 16

### *Perceptual and Learning Constructs*

The central component of the Howard – Sheth consists of psychological variables that are assumed to operate when the consumer is contemplating a decision. These constructs are treated as abstractions, and are not operationally defined or directly measured. Some of the variables are perceptual in nature and are concerned with how the consumer receives and processes information acquired from the input stimuli and other parts of the model. For example, stimulus ambiguity occurs if a consumer is unclear about the meaning of information received from the environment, perceptual bias occurs if the consumer distorts the information received so that it fits his or her established needs or experiences.

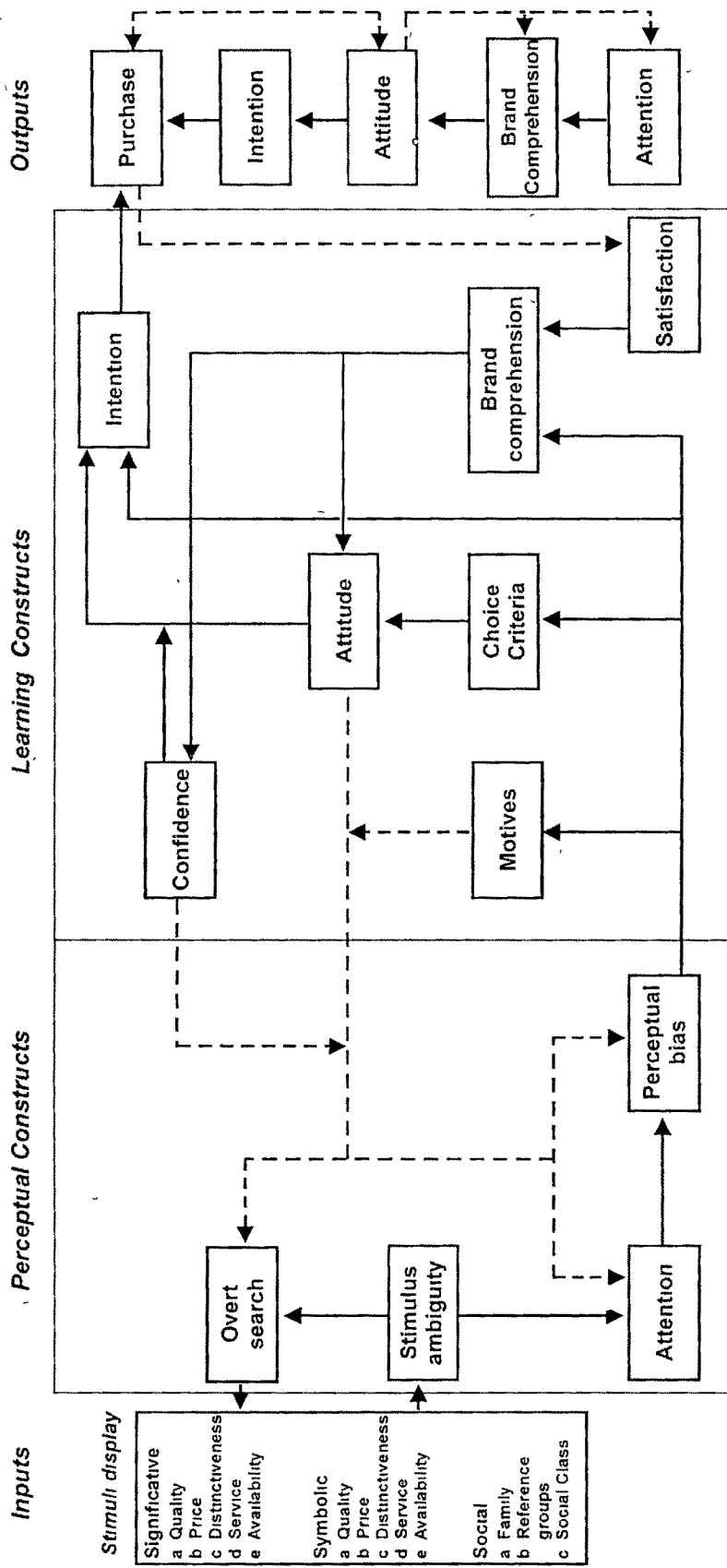
Learning constructs serve the function of concept formation. Included in this category are the consumer's goals, information about brands in the evoked set, criteria for evaluation alternatives, preferences, and buying intentions. The proposed interaction (linkages) between the various perceptual and learning variable and the variables in other segments of the model give the Howard – Sheth model its distinctive character.

### *Outputs:*

The model indicates a series of outputs that correspond in name to some of the perceptual and learning construct variables (attention, brand comprehension, attitudes, intention), in addition to the actual purchase.<sup>1</sup>

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1 Ibid, P 16



- Original Source John A Howard and Jagdish N Sheth, The Theory of Buyer Behavior (New York, John Wiley & Sons, 1969), 30  
 Adopted from Leon G Schiffman, Leslie Lazar Kanuk, Consumer Behavior, Fifth Edition, Prentice-Hall of India Pvt Ltd , New Delhi, 1997 P-647

Exogenous variables are not directly part of the decision making process and are not shown in the model presented here. Relevant exogenous variables include the importance of the purchase, consumer personality traits, time pressure, and financial status.

### *ENGEL – KOLLAT – BLACKWELL MODEL*

The Engel – Kollat – Blackwell model of consumer behavior (also known as the Engel Blackwell – Miniard model) was originally designed to serve as a framework for organizing the fast – growing body of knowledge concerning consumer behavior. Like the Howard – Sheth model, it has gone through a number of revisions aimed at improving its descriptive ability and clarifying basic relationships between components and subcomponents. Figure depicts the model as consisting of four sections: (1) decision process stages, (2) information input, (3) information processing, and (4) variables influencing the decision process.<sup>1</sup>

#### *Decision – Process Stages*

The central focus of the model is on five basic decisions – process stages: problem recognition, search, alternative evaluation (during which beliefs may lead to the information of attitudes, which in turn may result in a purchase intention), purchase, and outcomes. The number of stages that figure in a specific purchase decision, and the relative amount of attention given to each stage, are functions of how extensive the problem – solving tasks are felt to be. For example, in extended problem – solving behavior, consumers presumably pass through all five stages; in routine problem – solving behavior, consumers presumably do not require external search and alternative evaluation – they know what they want.

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1 Ibid, P. 16



### *Information Input*

Information from marketing and non-marketing sources feeds into the information – processing of the model. After passing through the consumer's memory, which serves as a filter, the information has its initial influence at the problem recognition stage of the decision – making process. Search for external information is activated if additional information is required in order to arrive at a choice, or if the consumer experiences dissonance because the selected alternative is less satisfactory than expected.

### *Information Processing*

The information processing section of the model consists of the consumer's exposure, attention, comprehension / perception, yielding / acceptance, and retention of incoming marketer – dominated and nonmarketing information. Before a message can be used, the consumer must first be exposed to it, allocate information – processing capacity to it, interpret the stimulus, be persuaded by it, and retain the message by transferring the input to long-term memory. In order to be retained in long-term memory, which analyzes the input in terms of its physical properties and short-term memory where the message (stimulus) is analyzed for meaning.<sup>1</sup>

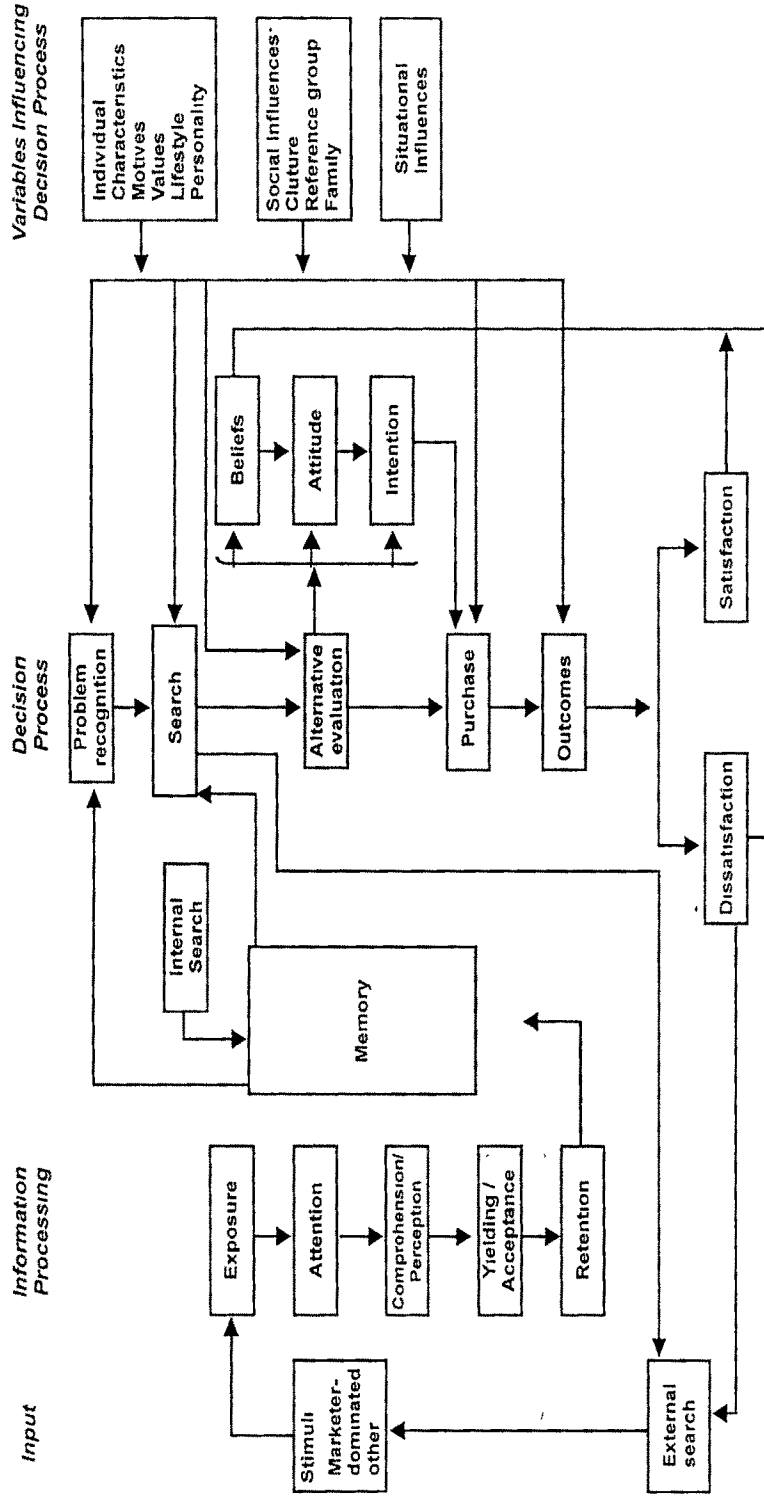
### *Variables Influencing the Decision Process*

The last section of the model consists of individual and environmental influences that affect all five stages of the decision process. Individual characteristics include motives, values, lifestyle, and personality, the social influences are culture, reference groups, and family. Situation influences, such as a consumer's financial condition, also influence the decision process.

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1 Ibid, P. 16

# The Engel – Kollat – Blackwell (Engel – Blackwell – Miniard) Model of Consumer Behavior



Original Source Figure from Consumer Behavior, 5th ed by James F Engel, Roger D Blackwell and Paul W Miniard, copyright © 1986 by the Dryden Press, reproduced by permission of the publisher

Adopted from Leon G Schiffman, Leslie Lazar Kanuk, Consumer Behavior, Fifth Edition, Prentice-Hall of India Pvt Ltd, New Delhi, 1997 P-649

### *SHETH FAMILY DECISION MAKING MODEL*

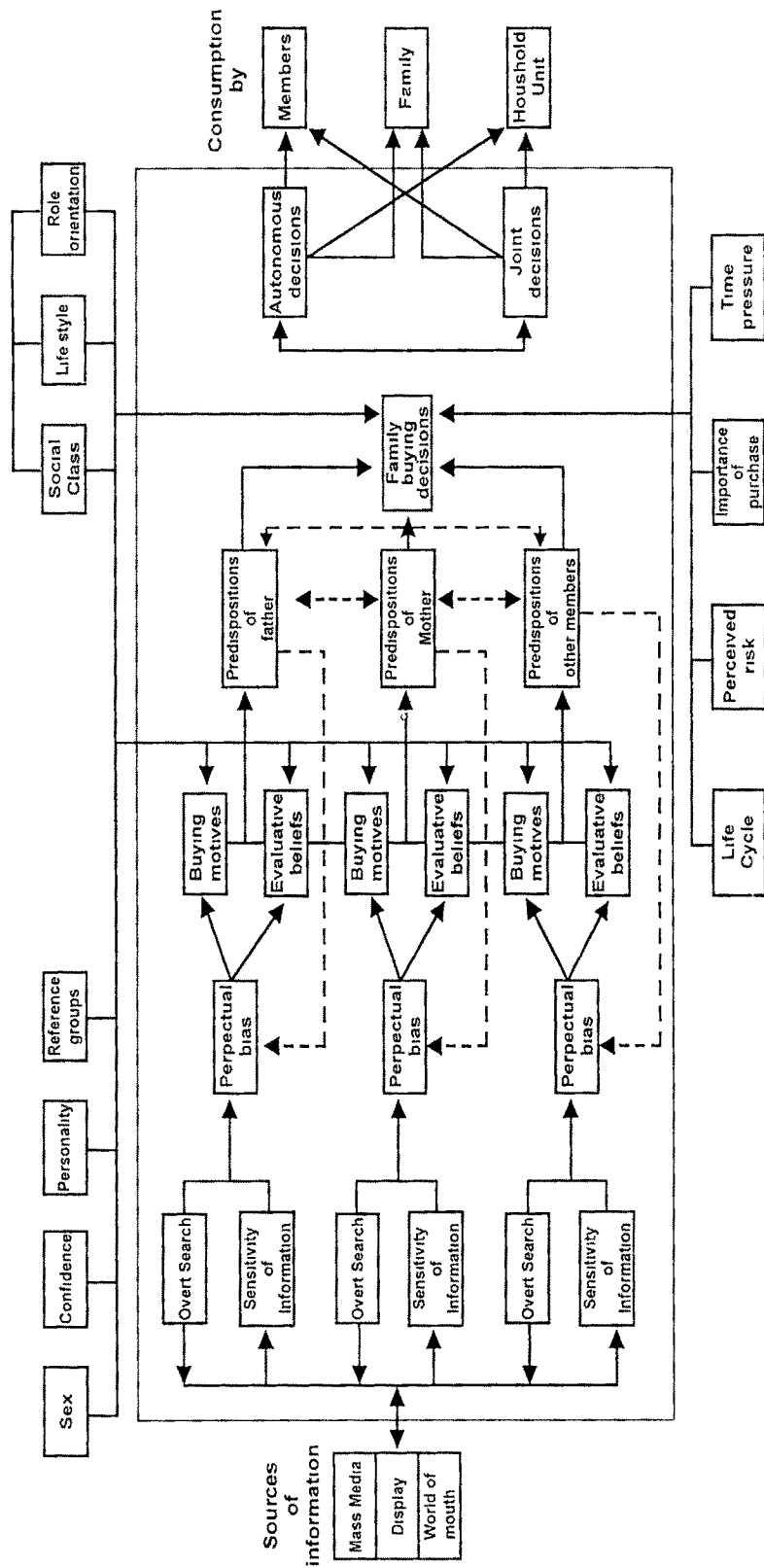
The three comprehensive models presented so far focus on individual consumer decision-making. An alternative perspective considers the family as the appropriate consumer decision-making unit. The Sheth family decision-making model is depicted in Figure. The left side of the model shows separate psychological systems representing the distinct predispositions of the father, mother and other family members. These separate predispositions lead into family buying decisions, which may be either individually (autonomously) or jointly determined.

The right side of the model lists seven factors that influence whether a specific purchase decision will be autonomous or joint: social class, lifestyle, role orientation, family life-cycle stage, perceived risk, product importance, and time pressure. The model suggests that joint decision making tends to prevail in families that are middle class, newly married, and close – knit, with few prescribed family roles. In terms of product – specific factors, it suggests that joint decision making is more prevalent in situations of high perceived risk or uncertainty, when the purchase decision is considered to be important, and when there is ample time to make a decision.<sup>1</sup>

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1 Ibid, P. 16

Sheth Family Decision Making Model



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 Adopted from Leon G. Schiffman, Leslie Lazar Kanuk, Consumer Behavior, Fifth Edition, Prentice-Hall of India Pvt. Ltd., New Delhi, 1997, P-651

## *BETTMAN'S INFORMATION PROCESSING MODEL OF CONSUMER CHOICE*

Bettman's model of consumer choice portrays the consumer as processing a limited capacity for processing information. When faced with a choice, the consumer rarely (if ever) undertakes very complex analyses of available alternatives. Instead, the consumer typically employs simple decision strategies (heuristics). These simplifying decision rules enable the consumer to arrive at a choice by sidestepping the overly burdensome task of assessing all the information available about all the alternatives.

In its complete form, the Bettman model consists of a number of interrelated flowcharts that depict the various dimensions of the consumer choice process. The overview of the Bettman model in Figure illustrates its seven basic components: (1) processing capacity, (2) motivation, (3) attention and perceptual encoding, (4) information acquisition and evaluation, (5) memory, (6) decision processes, and consumption and learning processes. In addition, the model includes mechanisms that continually scan the environment and respond to interruptions.<sup>1</sup>

### *Processing Capacity*

The processing capacity component of the Bettman model presumes that individuals have only a limited capacity for processing information. Thus, in making choice, consumers are likely to find complex computations and extensive information processing.

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1 Ibid, P. 16

particularly difficult or burdensome. To deal with these demands, consumers are likely to select choice strategies or rules of thumb that make product selection an easier and less taxing process.

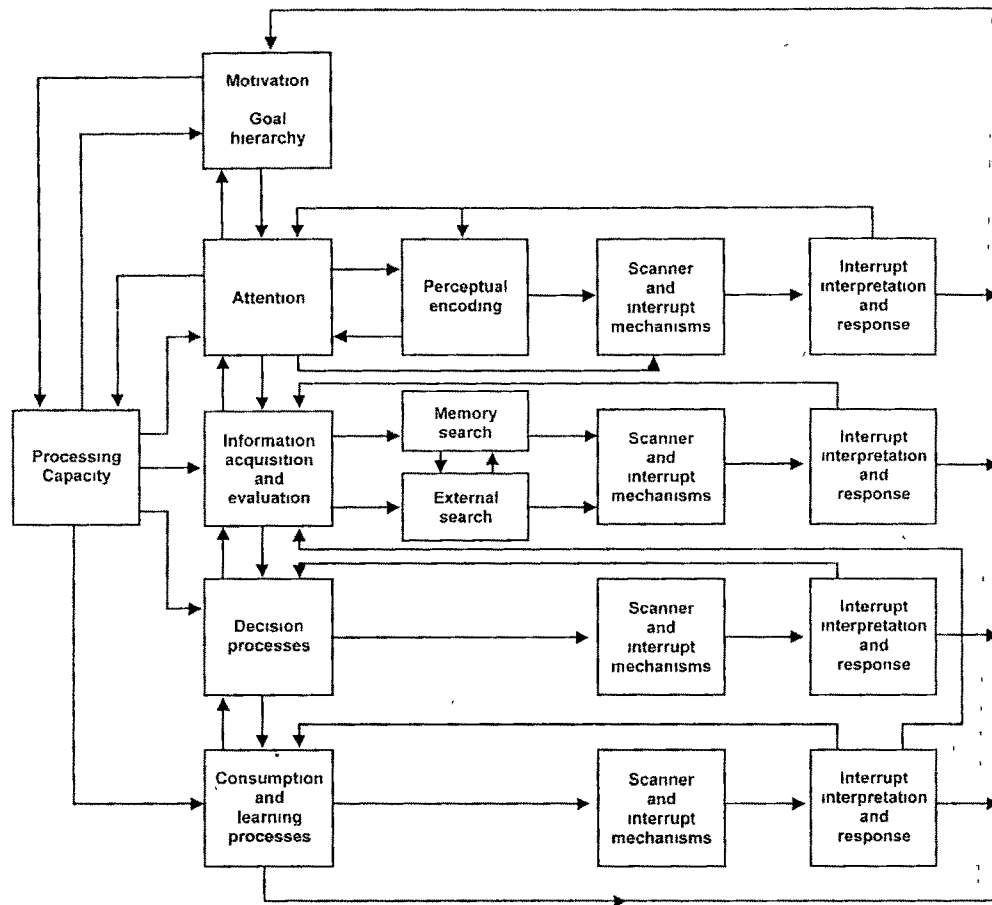
As depicted in Figure, the process capacity component influences the other major components of the model. This has important implications for the kinds and scope of choice strategies consumers are likely to employ.

### *Motivation*

Since consumer choice is conceived as being purposeful (i.e. designed to achieve one or more goals), motivation is a central component of the Bettman model. It influences both the direction and the intensity of consumer choice and stimulates the consumer to seek the information required to evaluate alternative and make a choice (e.g., a purchase).

Motivation provides momentum by means of a hierarchy-of-goals mechanism and scanner – and – interrupt mechanism. The hierarchy-of-goals mechanism is a dynamic force that takes the form of a series of intermediate sub goals that lead to a desired end state – a choice. This mechanism is consistent with the notion of limited capacity; it suggests that as a consumer gains experience in a particular choice area, he or she will no longer have to employ an elaborated hierarchy of goals to arrive at a decision. Instead, acquired experiences eventually provide the consumer with the basis for employing less demanding decision rules. Thus the goal – hierarchy mechanism channels the consumer's efforts in making a choice.

## The Bettman Information – Processing Model of Consumer Choice



Original Source James R Bettman, An information Processing Theory of Consumer Choice © 1979, James R Bettman Reprinted by permission of James R Bettman

Adopted from Leon G Schiffman, Leslie Lazar Kanuk, Consumer Behavior, Fifth Edition, Prentice-Hall of India Pvt Ltd , New Delhi, 1997, P-652

### *Attention and Perceptual Encoding*

The attention and perceptual encoding components are close to and heavily influenced by the consumer's goal hierarchy. There are two types of attention: voluntary attention, which is a conscious allocation of processing capacity to current goals, and involuntary attention, which is more of an automatic response to disruptive events (e.g. conflicting views of newly acquired complex information) Each of

these different types of attention influences how individuals progress in reaching goals and making choices

The perceptual encoding element is an extension of the attention component. It accounts for the process by which the consumer organizes and interprets perceived stimuli and provides insights into the need for additional information.

### *Information Acquisition and Evaluation*

Within the context of the Bettman model, the consumer undertakes external search to the extent that information available in memory is judged to be inadequate. Newly acquired information is evaluated and its suitability or usefulness is assessed. The consumer continues to acquire additional information until all relevant information has been secured, or until the consumer perceives any additional effort to be too costly in terms of time or effort.

### *Memory*

Memory is the component through which all information flows; it is where a consumer first begins the search (internal search) for information on which to base a choice. If the internal information is insufficient, then the consumer undertakes external search. Acquired information is stored either in short-term storage (which is limited in capacity and where information is processed) or in long-term storage.

### *Decision Processes*

The Bettman model stresses that different types of choices are normally made in conjunction with the fulfillment of specific



components of the model (e.g. choice of goals and choice of information to be acquired). Thus the choices made during the decision process component are a particular form of choice, rather than the choice. Specifically, this component deals with the application of heuristics or rules of thumb in the evaluation and selection of a specific brand.

This portion of the model emphasizes that the specific heuristics a consumer employs are influenced by both individual factors (e.g. personality differences) and situational factors (urgency of the decision), thus, it is unlikely that a particular decision rule will be consistently employed by the same consumer in different situations, or by different consumers in the same situation.

#### *Consumption and Learning Processes*

The consumption and learning component of the Bettman model is concerned with the future utilization of experience acquired after the purchase choice has been made and the selected alternative consumed. Such consumption experiences not only provide the consumer with information to be applied to future choice situations, but also provide the basis for developing or refining heuristics.

#### *Scanner – and – Interrupt Mechanisms*

Throughout the Bettman model are scanner – and – interrupt mechanisms that receive all kinds of messages from the environment. The scanner is continuously open to relevant information from the environment, the interrupt mechanism deals with messages that interface with the process of making a choice.<sup>1</sup>

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<sup>1</sup> Ibid, P. 16

Cast in this light, the scanner is receptive to new information, while the interrupt mechanism deals with messages that are “imposed upon” the consumer. However, both mechanisms can delay the making of a particular choice and can divert attention to a completely different area of choice (e.g. a more pressing problem).

#### *SHETH – NEWMAN – GROSS MODEL OF CONSUMPTION VALUES*

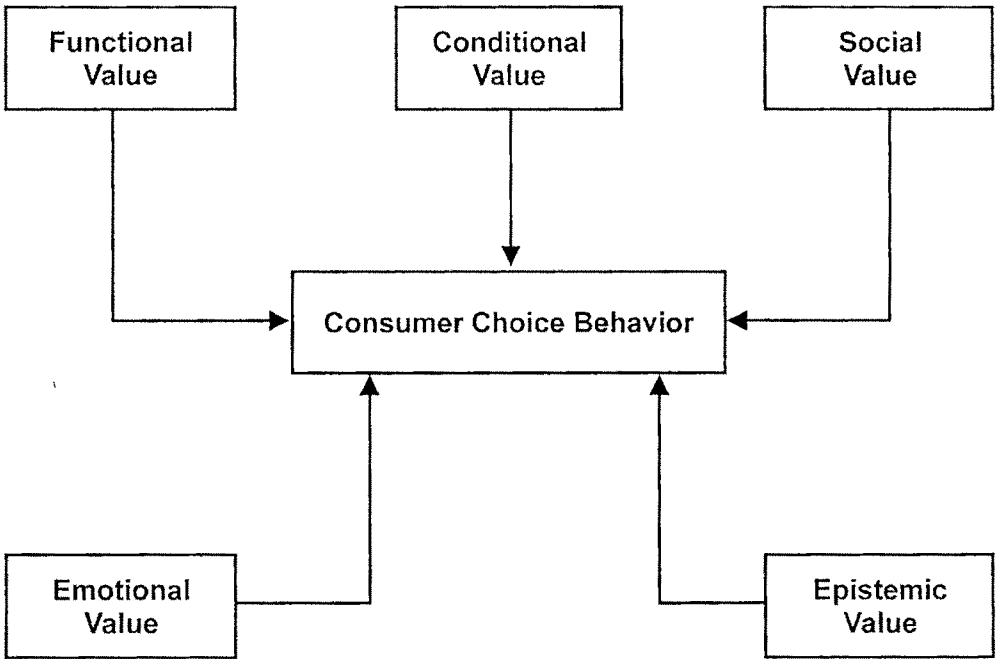
The Sheth – Newman – Gross of consumption values was recently developed to explain “why” consumers make the choice they do. Compared with the other comprehensive models explored in this appendix, it has fewer component parts and stresses a series of specific measurement approaches to secure the necessary consumer input required to test and apply the model. For this reason the Sheth – Newman – Gross model is particularly relevant to the understanding and segmentation of markets. The model concentrates on assessing consumption – relevant values that explain why consumers choose to buy or not buy (or to use or not use) a specific product, why consumers choose one product type over another, and why consumers choose one brand over another. The model can be applied to consumer products, industrial goods, and services).<sup>1</sup>

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1 Ibid, P. 16

The Sheth – Newman – Gross model is rooted in three central propositions (1) consumer choice is function of a small number of consumption values, (2) specific consumption values make differential contributions in any given choice situation, and (3) different consumption values are independent. Figure identifies the five consumption values that are the core of the model, namely, functional value, social value, emotional value, epistemic value, and conditional value <sup>1</sup>

**The Five Values Influencing Consumer Choice Behavior**



Original Source Jagdish N. Sheth, Bruce I. Newman, and Barbara L. Gross, "Why We Buy What We Buy – A Theory of Consumption Values", *Journal of Business Research* (1991), 160. Copyright by Elsevier Science Publishing Co., Inc. Reprinted by permission of the publisher.

Adopted from Leon G. Schiffman, Leslie Lazar Kanuk, *Consumer Behavior*, Fifth Edition, Prentice-Hall of India Pvt. Ltd., New Delhi, 1997, P-654.

<sup>1</sup> Ibid, P. 16

### *Functional Value*

The functional value of a consumer choice is the perceived functional, utilitarian, or physical performance utility received from the choice's attributes (e.g., positive and negative characteristics). Functional value is particularly associated with economic utility theory, popularly expressed in terms of "rational economic man". At the heart of the functional value are such consumer – relevant attributes as reliability, durability, and price. For example, the decision to purchase a particular automobile might be based on purchase price and promised fuel economy.

### *Social Value*

The social value of a choice is the perceived utility acquired of the association between one or more specific groups and a consumer's choice. A consumer's choice gains social value by being linked with positively or negatively stereotyped demographic, socioeconomic, and cultural – ethnic group (i.e. reference groups). Choices involving highly visible products (e.g., sneakers and bicycles) and goods or services to be "socially shared" (e.g. gifts, product used in entertaining) are often driven by social value.

### *Emotional Value*

The emotional value of a choice is the perceived utility acquired from its capacity to stimulate the consumer's emotions or feelings. A choice acquires emotional value when associated with specific feelings or when it triggers or sustains those feelings. Products and services are frequently associated with emotional responses (e.g. the

excitement of watching a favored sports team in action or the anticipation of driving a new car)

### *Epistemic Value*

The epistemic value of a choice is the perceived utility that comes from the choice's ability to foster curiosity, provide novelty, and / or satisfy a desire for knowledge. New purchase and consumption experiences, especially, offer epistemic value, however, even a simple "change of pace" (such as a shift from one flavor ice cream to another) also provides the consumer with epistemic value.

### *Conditional Value*

Finally, the conditional value of a choice is the perceived utility acquired by a choice as an outcome of some particular situation or circumstance facing the consumer. For instance, some products are associated with a particular time or event (e.g. coffee at breakfast), some products have specific climatic or location benefits (e.g., suntan location), some are associated with "once in a lifetime" events (e.g. the purchase of one's first new car), and some are used only in emergency situations (e.g. a dentist on a Sunday afternoon).

The model proposed that consumer choice behavior might be influenced by any or all of these five consumption values. As already noted, the attractiveness of the Sheth – Newman – Gross model lies in the fact that the developers have not only considered the conceptual composition of the model, but have also given considerable attention to how the five component values should be measured in the case of different consumer – choice situations. This makes the model of significant value to both consumer researchers and marketing practitioners.<sup>1</sup>

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1 Ibid, P. 25

### *Application of the Theory*

The Sheth – Newman – Gross model has already been tested in more than 200 consumer choice situations. For example, the model has been applied to use versus do-not-use choice regarding food stamps, cocaine, computer dating, and sporting events attendance, to product – type choice (e.g. sports cars versus luxury cars), and to brand choices involving toothpaste, aspirin, and automobiles.

To illustrate how the Sheth – Newman – Gross model has been tested, think of the choice involving cigarette smoking. The first choice – level pertains to the consumer's choice between smoking and not smoking (a use versus do-not-use decision). At this level, one would examine the values differentiating smokers and nonsmokers. The second choice – level pertains to choice of product type. At this level, the values differentiating smokers of filtered and nonfiltered cigarettes would be explored. The third choice – level pertains to brand. The values differentiating users of two brands – for example, Marlboro smokers and Virginia Slims smokers – would be examined. To study such choices, measurement instruments are developed and administered to specific groups of consumers (e.g. users / nonusers, product A users / product B users, brand A users / brand B users). In applying the Sheth – Newman – Gross model, the objective is to classify the known groups on the basis of the values driving their choice. The model may be used to predict consumption behavior, as well as describe and explain it.<sup>1</sup>

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1 Ibid, P. 16

Comprehensive models of consumer behavior are useful because they tie together existing knowledge about consumers and their choice processes, and because they provide a framework (or starting point) for new consumer research studies. Systematic testing of such models is needed to validate the relationship among constructs that the models propose. Of the six models described above, the Sheth – Newman – Gross model is particularly amenable to real – world testing and application.

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