

Chapter 2

Theory of Consumer Behavior

2.1 Introduction

We are all consumers: each of us undertakes many forms of consumer behavior in every day of our lives. Consumer behavior involves more than just how a person buys a products or services. In today's world of competitive offerings, diversity of consumer preferences, and proliferation of brands, consumer behavior has become extremely important for marketing decisions.

Consumer behavior emerged as an independent field of research within marketing nearly sixty years ago. In recent years, study of consumer behavior has emerged as a specialty of growing concern to marketing scholars. Knowledge of consumer behavior can provide useful input to marketing strategies like segmentation, target market selection and positioning.

In many ways, consumer behavior is a subtle phenomenon. The reasons for their behavior are not always clear. Actions of consumers are impulsive thus sometimes difficult to predict, and sometimes even hard to explain.

In the present chapter, an attempt is made to study the basics of consumer behavior, in broad terms. The concept of consumer behavior is extensively highlighted in section two. Six important models of consumer behavior are emphasized in section three. These models are studied irrespective of fields involved in understanding consumer behavior. All these models stand as the base for the study of consumer behavior in their respective fields. The interdisciplinary richness of the field of consumer behavior is reflected in the impact of social sciences. Major factors influencing consumer behavior, economic (Utility, Want, and need) and non-economic aspects (environmental factors and individual factors) are highlighted in section four. The chapter is concluded in section five.

2.2 Concept of Consumer Behavior

It is believed that consumers make their purchases on the basis of small number of selective chosen pieces of information. Markets resolve every activity around the ultimate consumers and focuses on:

- Who buy the products?
- How do they buy the product?
- Where do they buy them?
- How often do they buy them?
- When do they buy them?
- Why do they buy them?
- How often do they use them?

The decision process helps the marketers to decide the target consumers and also the consumers need satisfying products. The ultimate target and the primary force of all marketers is the consumer. No matter who they are: urban or rural residents, male or female, young or old, rich or poor, educated or uneducated, believer or non-believer. As a consumer, individual encompasses many different behaviors such as collecting, nurturing, cleaning, preparing, displaying, storing, wearing, sharing, evaluating, and serving etc.¹

An organization's marketing activity look forward to satisfy consumer needs and wants at a profit. Consumers play an important role in building local, national, and international economic conditions.

Every person has, is and will continue to be a consumer of some product or the other. Because of this, the study of consumer behavior will be of interest not only to marketers but also to economists. An understanding of consumer behavior will help the economists to shape overall infrastructure of the industry, suitable for the future development. For a layman, the study will help to become a better consumer. Thus, the study will be enabling

¹ Nair, S. R. (2004) "Consumer Behavior in Indian Perspective", Himalaya Publishing House, New Delhi.

to grasp a gainful insight into the internal and external factors influencing the consumption related behavior of individuals.

To have a wide and clear view of the behavioral aspect, meaning of consumer, customer and buyer are bifurcated and their meaning are as follows:

- Customer - Individual who is the ultimate user of the goods/services and purchases the same from particular organization or shop. A customer is not always a consumer thus; all the buyers or consumers are not buyers.
- Buyer - One who purchases the product is called the buyer. Buyer may not be the ultimate user.
- Consumer - The end user of goods/services is known as consumer. The consumer may or may not be the buyer or customer. Latent purchase behavior is referred here.

As time changes, the consuming entities being used by consumer has been divided into personal consumer and organizational consumer.² Personal consumer is the ultimate or the end user of the goods/services. Here the purchase activity is made with little or no influence of others. Organizational consumer purchases the commodity either for profit or for the non-profit activities, which are further used in the production processes. Products purchased by organizational buyer are secondary goods, which are further used for production process; here direct consumption does not take place.

Assael (1992)³ has discussed the concept of consumer behavior with the help of a simple model. First and the foremost criterion to start the model is the consumer decision-making process. He studied the consumer decision on purchasing a brand, through evaluating the product information, with the other available alternatives in the market. To come up with the decision making process, three factors influence the same, namely, individual consumer, environmental influences, and applications of consumer behavior to

² Cave, S. (2002) "Consumer Behavior in a week", Charted Management Institute, Hodder and Stoughton, London.

³ Assael, H. (1992) "Consumer Behavior and Marketing Action", PWS-Kent Publishing Company, Boston.

marketing strategies. Thus, the purchase of the product is affected by consumers' needs, attitude towards alternatives, characteristics of the products/services, lifestyle, personality and many more. Besides these, individual factors such as social class, culture, sub-culture also play an effective role. Before influencing the consumer, marketing opportunities should be evaluated by the marketer. This will help to target the exact consumer with the appropriate goods/services.

Once the consumer has made a decision i.e. post-purchase evaluation, consumer response stage is reached. As per the experience, a consumer can change their pattern of consumption and may or may not buy the product. Consumption experience will directly influence whether the consumer will buy the same brand ever again in the future. Thus, marketing research is required at every stage of consumer response, by the marketer and the importance of analyzing consumer behavior can be judged with the same process.

The model of consumer behavior provides a basis for developing marketing strategies beside the information necessary for the same. The only limitation with the consumer behavior model is that the model will vary among individuals in the same market and also that all purchase decisions are not equally complex.

Wilkie, W.L. (1990)⁴ has studied seven basic characteristics of consumer behavior. They are motivational behavior, activities, process, timing, complexity, roles, influencing factors, and the people. One of the priority keys to study consumer behavior is motivation, as consumer behavior is always requisite. It aims to achieve a particular goal. Consumer behavior includes many activities. Understanding such activities provides a useful basis for developing marketing strategies and the process can be referred to as selecting, purchasing, and using the product. Timing refers to when the decision takes place and how long the entire process takes. At the same point complexity refers to the number of activities involved in a decision making process. Combination of roles a consumer can play includes influencer, purchaser and the user. Influence is the natural occurrence in the consumer world. It can be external or internal. Culture, sub-culture, lifestyle, and family are some of the universal influencing factors. External influence

⁴ Wilkie, W.L. (1989) "Consumer Behavior", John Wiley and Sons, New York.

sources vary with the time duration. Consumer behavior differs from one to another. As a result, market segmentation stands as one of the basic strategy for producers.

As said by Adam Smith (1776)⁵, consumption is the final purpose of all the production. The interest of the producer is to promote their goods or services to the consumer. In the present commercial system, the consumption is the ultimate end point and the production relies heavily on it.

Consumer behavior reflects the totality of the decisions i.e. whether, what, why, how, when, where, how much/often/long about the consumption, acquisition, usage and disposition of an offering, product, service, time, and ideas by the decision making units including information gatherer, influencer, decider, purchaser, or user over time i.e. for hours, days, weeks, months, and years.⁶

Consumer behavior studies the characteristics of individual consumers such as demographics, psychographics, and behavioral variables. In an attempt to understand the consumer activities, one has to study the people's wants. As consumer behavior has become an integral part of strategic market planning, detail research of the area by marketers is of priority. Next section discusses the important models of consumer behavior, helps in understanding and studying the marketing strategies in trend, in the market environment.

2.3 Models of Consumer Behavior

As mentioned earlier, consumer behavior is taught in different branches of studies. All such studies apply the basic models of consumer behavior, usually referred as theory of consumer behavior. Major theories of consumer behavior irrespective of the field of study are discussed here. Six important models of consumer behavior are emphasized here namely: microeconomic model, learning model, psychoanalytic model, and Nicosia Model, Engel-Blackwell-Minard (EBM) model, Howard and Sheth model. These models

⁵ Clark, J. M. et. al (1928) "Adam Smith, 1776-1926: Lectures to Commemorate the Sesquicentennial of the Publication of "The Wealth of Nation", University of Chicago Press, Chicago, Illinois.

⁶ Arnould, Price, Zinkhan (2002) "Consumers", Mc. Graw Hill, New York.

can be further clubbed as traditional models, behavioral models, and experimental models.

Study of these models helps in the development of new theories, understanding complex relationships, and also they provide the framework for research work and discussions. Such models will also help in understanding the buying as well as the consumption behavior of the consumers.

2.3.1 Microeconomic Model

Microeconomics is the study of the actions of consumers and producers in specific markets for goods and services.⁷ Micro economists concentrate on explaining what consumers would purchase and in what quantities these purchases would be made. Theory of consumer behavior in Economics describes how consumers allocate incomes among different goods and services to maximize their utility. Here consumer behavior is best understood in three distinct steps - consumer preferences, budget constraints, and consumer choices. Theory of consumer behavior is surrounded with the fence of assumptions and the primary among these are:

- Consumers' wants and needs are unlimited and therefore cannot be fully satisfied.
- Consumers' limited purchasing power (budget) makes them to allocate the same in a way that maximize satisfaction of their wants and needs.
- Consumers' preferences are consistent over time and they are developed independently.
- Consumers have perfect knowledge i.e. they know exactly how much satisfaction they can gain from the consumption of a particular product.
- The consumers follow the law of Diminishing Marginal Utility (DMU). According to this law, an equal additional unit of a good is consumed, everything else remaining constant, satisfaction will increase, but at a diminishing rate. Thus, ceteris paribus, each additional unit of a good consumed will yield less extra satisfaction than the previous unit consumed.⁸

⁷ Pindyck, R. S. and Rubinfeld, D. L. (2005) "Micro Economics", Prentice Hall, New York.

⁸ Samuelson, P. A. and Nordhaus, W. D. (1995) "Economics", McGraw Hill, New York.

- Price is the single decisive factor to measure the sacrifice involved in obtaining a product.
- Consumers are perfectly rational i.e. with their subjective preferences; they will always act in a planned manner to maximize their satisfaction.

With these assumptions, economists believed that perfectly rational consumers will always purchase the goods that provide the highest ratio of additional benefit to cost. The maximization of utility is considered to be the only drive of the model. Thus economics relies on the fundamental premise that people tend to choose those goods/services they value most highly. For any given commodity, benefit/cost ratio can be expressed as ratio of Marginal Utility (MU) to price (P), (MU/P). MU is the extra satisfaction a consumer gets from consuming an additional unit of particular goods/services. Therefore, to achieve this situation for any number of goods, consumers would seek the following optimal consumer portfolio.

$$MU_1 / P_1 = MU_2 / P_2 = MU_3 / P_3 = \dots = MU_n / P_n$$

Here, MU_1 is the extra satisfaction derived from consuming one additional unit of a good, every thing else remaining constant. Whereas, P_1 shows the price of a product purchased.

Key for selecting the best combination of goods/services lies in comprise of P and MU, regardless of the amount of a consumer's purchase or size of portfolio. The highest level of utility will be achieved only if, the last unit of purchasing power spent and MU per unit spent on each goods/services are equal. The set of all bundles that are affordable with given P_s , are also called as the opportunity set. If any one products ratio is greater than the others, the consumer can achieve greater satisfaction per rupee from this combination and will immediately purchase more of this blend, provided there is an adequate budget. The consumer will continue purchasing the affordable set until the products declining MU reduces its P ratio and a position equal to all other ratios is achieved. Additional purchasing of this combination will then be clogged. The preference-ordering (here the consumer ranks all possible consumption sets in order of preferences) scheme will then be followed.

To have the best possible combinations, the consumer, with the help of an indifference curve, can analyze all the available sets. Here, all the sets for which consumer is indifferent are compared in one go. The bundle that lies above the indifference curve, are all preferred whereas those that lie below it are rejected. Thus, an indifference map is used as a summary of the preference ordering. The best affordable bundle occurs at a point of tangency between an indifference curve and the budget constraint.

Microeconomic model is based on highly unrealistic assumptions. Consumers frequently endeavor for acceptable and not maximum levels of satisfaction. The purchase of one good may reduce the MU of another good, causing a shift in the optimal portfolio. They lack perfect knowledge regarding products and they often influence each other's preferences. Also, they appear to use many variables in addition to price, to assess a product's cost and may frequently use P as a measure of product quality as well as cost. Pre and post purchase behavior of consumers are not taken into consideration in the model. They also do not appear to be perfectly rational in all their purchase decisions at all the time.

2.3.2 Pavlovian Learning Model

Learning is the knowledge of skill gained through study or being taught.⁹ Learning involves a change in behavior as a result of acquired knowledge and such change is based on some form of practice or experience. Thus, learning has two aspects: behavior and experience. Learning is a relatively permanent change in behavior, as a result of an experience. It is a continuous process and gets modified as a result of exposure to new information and experience. Consumer behavior is often based on how much learning has taken place by which individual acquires purchase and consumption knowledge and experience, which is applied to future behavior.

Ivan Pavlov, the Russian psychologist, studied the learning model as classical conditioning: natural response to something as a result of repeated exposure to it. Thus, classical conditioning is a specific procedure that creates a learning environment, but other learning processes may operate simultaneously with the procedure. He conducted

⁹ Loudon, D. L. and Bitta, A. J. D. (1993) "Consumer Behavior", McGraw Hill, London.

an experiment on a dog to prove the repetitive association between stimulus (effect of existing, that which excites or arouses energy) and response (an answer given, a reply or retort feeling).

The connection between food and salivation to hungry dog is not taught but is just a secondary indubitable reaction. Pavlov rang the bell with giving food to the dogs. After an adequate number of repetitions, the dog learned the connection between bell and food. When they heard the bell in future, even without food they salivated.

Classical conditioning was formerly viewed as being a reflective action; however, according to new thinking now, it is viewed as cognitive association learning.¹⁰ Contiguity and repetition of the process are the two important factors for learning to occur, through the associative process. Consumers can be conditioned to develop positive impression and images of brands through the associative process. The more the frequency of exposure to brand, the stronger association between consumer and brand will develop. Basic concepts of consumer behavior as per classical conditioning are repetition, stimulus generalization, and stimulus discrimination.

Many experts do not completely agree with this theory as it explains learning but is unable to explain the total consumer behavior. Consumers are considered as passive beings, whose response is based on the reward, after using the product. In general, market offers the product to satisfy the needs but to use every product is not possible.

2.3.3 Freudian Model of Psychoanalytic Motivation

According to Schiffman and Kanuk (2004)¹¹, personality is the inner psychological individuality, which resolves and reflects the person's response to the environment. Distinctive properties of one's personality includes: individuals' preferences and differences, reflected most stably and quite consistently in personality. Along with the

¹⁰ Batra, S. K. and Kazim, S. H. H. (2004) "Consumer Behavior - Text and Cases", Excel Books, New Delhi.

¹¹ Schiffman, L. G. and Kanuk, L. L. (2004) "Consumer Behavior", Prentice Hall of India Pvt. Ltd., New Delhi.

other factors individuals' moods, values, motives, and habitual methods of responding to situation are also considered while studying personality.

Sigmund Freud, an Australian Physician and pioneer psychoanalyst, is considered as the father of psychoanalytic theory. He proposed that every individual's personality is the product of three forces: id, ego, and super ego.¹²

- The id is the source of strong inborn drives and urges. It operates on the pleasure principle; meaning acts to avoid tension and seeks pleasure. Thus unconscious mind is called the id.
- Ego represents the conscious mind. It is composed of perceptions, thoughts, memories, and feelings. The ego gives the personality a sense of identity and continuity. It comes into being because of the limitations of the id, in dealing with the real world. It is said to be the executive of the personality. It operates on reality principle and serves as the organized focal point for effective action in the environment. It varies from one individual to another, as it is an internal drive and conscious.
- Super ego constitutes the moral part of the individuals' psychic structure, through internalizing the values of the society. It influences the individual to strive for perfection. It acts to control basic strivings of the id, which could interrupt the social system and influences the ego. Ego is to pursue goals that match the morality dictated by society and culture.

Freud's model has biological forces (represented by id), societal forces (the super ego), and human consciousness (the ego) in its foundation. Individuals' personality development is the relation between these three factors. Influence of human motivation and needs affects these three factors.

Marketers to create brand image, through psychoanalytic theory have to satisfy the Freud's model inputs. Appeal to fantasy (wish, fulfillment, fantasy, aggression, and escape from life's pleasure) is one of the results of the application of the theory.

¹² Nair, S. R. (2004) "Consumer Behavior in Indian Perspective", Himalaya Publishing House, New Delhi.

2.3.4 Nicosia Model

Nicosia model is the first consumer behavior model, emphasizing on the compound decision-making process rather than the act of purchase. Francesco Nicosia, an analyst of consumer motivation and behavior process has developed this model in 1966. He has developed flow chart format, similar to the computer programming steps. As a result, none of the variables are dependent or independent but they are inputs to the next stage.

Basic assumption of the model is: consumers are seeking to fulfill specific goals and there is no previous interaction between the consumer and the firm.¹³ Consumers neither have positive nor negative opinion about the firm. The process of communication is being represented, where the firm takes the initiative to communicate with consumer, in one or the other way, firm trying to make their further existence in market by the consumer response. Results of the consumer response will make the model ongoing. The model has four major elements:

- The firms' communication and consumers psychological characteristics.
- Consumers' behavior of search and evaluation of available choice.
- Consumers' provoked act of purchase.
- Consumers' storage or use of the product.

The model has been evolved on the basis of funnel approach, where the consumer moves from general to particular product knowledge. Model shows that decision-making process is an important act rather than the purchase of the product and therefore firm has to influence the decision making process of the consumer, rather than only selling the product.

The field of limitations surrounds the model. The important one is only considering few elements of consumer behavior and excluding all others. There are numerous factors internal to the consumers, which are not taken care of. Secondly, without the proper previous interaction process by the firm, the decision-making process of consumer will never take place, due to competitive market structure.

¹³ Chunawalla, S. A. (2005) "Commentary on Consumer Behavior", Himalaya Publishing House, New Delhi.

Nicosia model of consumer behavior was pioneering in its influence, on how others would attempt to understand consumer behavior.¹⁴

2.3.5 Engel-Blackwell-Minard model

The original model of Engel-Kollat and Blackwell was developed in 1968, had gone through the numerous revisions. Most recently Minard has contributed to model in conjunction with Engel and Blackwell.¹⁵

Engel-Blackwell-Minard model (EBM) is the result of the input of five activities of consumer decision-making process.

- Problem solving.
- Information search.
- Alternative evaluation.
- Purchase.
- Outcome.

On the basis of consumers' decision-making process, the model has four sections, namely:

- Information output.
- Information processing.
- Decision process.
- Variables influencing decision process.

Two different modes of operations: EPS and LPS of consumers are studied here. EPS includes high level of both, involvement and risk. Here at any level consumer can quit or can even purchase a product. Satisfaction is the basic ingredient for future purchase of the product. LPS behavior by consumer does not represent the loyal consumers and they may not purchase the product even once. Repurchase of the product by LPS consumers is out

¹⁴ Op cit (1993)

¹⁵ Block, C. E. and Roering, K. J. (1976) "Essentials of Consumer Behavior", The Dryden Press, Hinsdale, Lllinois.

of the present model syllabus. Both EPS and LPS model of consumers will result in four section of the model but the involvement level varies.

The model is flexible and it focuses on the level of consumer involvement. EBM includes number of stages and the processes, which consumers goes through before purchasing a product and thus accepted as an important model of consumer behavior. But some of the influencing factors are indistinguishable from others and also alternative evaluation and search for information process is somewhat synthetic.

The information search from internal and external sources (marketing and non-marketing factors), are analyzed in the second section of information processing through exposure, attention, comprehension, acceptance, and retention.

Short-term memory of consumers is emphasized in further processing of information. If the results are positive, of all the five decision-making activities taking place along with the environmental influences, individual differences adds to the purchase of product.

2.3.6 Howard and Sheth model

Howard and Sheth model has learning theory at its roots and it studies the purchase behavior of the consumer, over a period of time. The model makers are emphasizing both the industrial purchases and the ultimate consumers, by using the term buyer. Unified theory, useful for understanding a great variety of behaviors is developed here. Three important levels of decision-making process are depicted, to rationalize brand choice behavior of buyer under the event of incomplete information and limited abilities.

- EPS is the preliminary stage of the decision-making process. Here the buyer has little information about brands and has not yet molded the criteria to purchase in a structured way.
- LPS is the secondary stage of a decision-making process. Here the consumers are still in a dilemma about which brand will serve their purpose in the best manner. Here EPS (Choice criteria) are well defined.

- Routinised response behavior is the final stage of decision-making process i.e. purchase of a brand takes place here, after very little evaluation of alternatives. Though strong opinion for a brand exists in consumers mind.

Four major components namely input variables; output variables, hypothetical constructs, and exogenous variables are involved here, resulting in buyers move from extensive to routinised problem solving behavior

- Significance and symbolic stimuli beside social stimuli are the major ingredients of input variables. Significant stimuli are the authentic elements of the brand while, the producer generates symbolic stimuli.
- Apparent response of the buyer, as a result of the input stimuli is the outcome of attention, comprehension, attitude, intention, and purchase behavior.
- Hypothetical constructs - number of dominant variables is categorized here as perceptual and learning constructs, which deals with the buyers' formation of concepts. Perceptual concepts describe sensitivity to information, perceptual favoritism, and search for informative. While learning constructs are defined as motive (specific goals impelling action), brand potential of the evoked set (perception of the ability of brand to satisfy buyers motives), decision mediator (buyers mental rules according to there motive), predisposition (fondness towards brand among the evoked set mentioned as an attitude towards them), inhibitors (environmental forces), and above all satisfaction.
- Exogenous variables are not well defined in the model. They are external to the buyer but their list runs long.

The model defines the variables influencing consumers and details how they interact with each other. But complex nature of representation made the model comprehends, due to large number of variables and complicated relationship among them.

2.4 Factors Influencing Consumer Behavior

Consumer market consists of all the individuals and households who buy or acquire goods and services for personal consumption. Studying important influencing factors will

further help in learning the consumer behavior effectively. These factors can further be studied from the point of economic, non-economic, and individual aspects. Economic aspects included here are utility, wants and needs whereas; non-economic aspects includes social class, culture, and group influence. Individual factors include learning and motivation.

The consumer's are quite unpredictable, and their complex nature makes the study and understanding peremptory. The environmental elements influence consumer behavior up to a large extent. Major factors along with their pros and cons are studied here, with the effect they make on the behavior of an individual. Most of the non-economic factors are uncontrollable and the marketers had to accept the facts, the way they come. However, they have to be considered while studying consumer behavior. Individual factors vary from consumer to consumer. A brief discussion of these factors follows.

2.4.1. Utility

Utility is an economic term, refers to the pleasure or satisfaction derived by an individual from being in a particular situation or from consuming goods/services. It is the ultimate goal of all economic activity, but it is not a label for any particular set of pursuits such as the acquisition and use of material goods.¹⁶ Though utility is hard to measure, consumers speak meaningfully of increasing utility or decreasing utility.¹⁷ It can be determined indirectly with the help of theory of consumer behavior, which assumes that, consumers will strive to maximize their utility. Bernoulli, D. introduced the concept of utility. He believed that a consumer utility increased with wealth but at a decreasing rate.

Utility is an abstract concept rather than a concrete, observable quantity. It is an arbitrary representative of a relative value. The amount of total utility should be corresponding to the level of satisfaction. Thus, the more the consumer consumes, the larger will be their total utility.

Utility can be studied as cardinal utility and ordinal utility.

¹⁶ Bannock, G et. al (1998) "Dictionary of Economics", The Economist Books, John Wiley and Sons, Inc., New York.

¹⁷ *ibid.*

- Cardinal utility: the magnitude of utility differences is treated as an ethically or behaviorally significant quantity. Here the assignment of values of some absolutes takes place.
- Ordinal utility: A measure of consumer satisfaction expressed in terms of ranking of preferred combinations of commodities.

Neo-classical Economics has largely retreated from using cardinal utility function as the basic objective of economic analysis. Cardinal utility functions are unique. Ordinal utility functions are equivalent upto monotone transformations, while cardinal utilities are equivalent upto positive linear transformations.

Marginal utility is the additional satisfaction, or the amount of utility, gained from each extra unit of consumption. It is the extra satisfaction gained by a consumer from a small increment in the consumption of goods/services. Although total utility usually increases as more of a good is consumed, marginal utility usually decreases with each additional increase in the consumption of a good. This decrease demonstrates the law of DMU. As there is a certain threshold of satisfaction, the consumer will no longer receive the same pleasure from consumption once that threshold is crossed. In other words, total utility will increase at a slower pace as an individual increases the quantity consumed. Such a theory explains why a price rise causes consumers to cut demand of goods/services.

2.4.2 Wants and Needs

In economics, a want is something desired, necessary. It is distinct from the need. Need is the psychological feature that arouse an action towards a goal. The reason for the action, is giving purpose and direction to the consumer behavior. Consumers have ultimate wants. One cannot have everything they want and therefore have to look for the best available alternative.

- Need: Without which consumer cannot work further.
- Want: Desire/like to have.

Thus need is a necessity but want is a luxury.

2.4.3 Social Class

Social class refers to the group having a number of people, who have more or less equal positions in the society, which is achieved rather than ascribed, with same opportunity existing for upward or downward movement to other classes. Many a times, social class is also helpful in defining:

1. Social stratification: division of members of society into a degree of various status or classes. As a result, members of each class have relatively the same status and that of other classes have either more or less.
2. Social status: the amount of status (social position) individuals of particular class has in comparison with members of other social classes.
3. Social comparison theory: comparison of ones own material possessions with those owned by others, in order to determine their relative social standing.
4. The demographic/socio-economic variables: some important factors like family income, occupational status, and educational attainment used by marketing practitioner to measure social class.

Basic guidelines, to be followed by the marketers before using social class as a variable to segment the market includes:

1. Social class may not always be a relevant fact to be taken into consideration i.e., segmentation criteria such as age and culture is sometimes more appropriate.
2. Cost involved in segmenting the consumers on the basis of social class will be much more in relation to the benefit from such segmentation for undifferentiated product market.
3. Segmenting market on the basis of social class, when used with additional variables like life cycle stages etc. is more effective than using social class as only bases for segmenting market.

The basic characteristics of social classes are as follows:

1. Social classes represent status.
2. Social classes are multidimensional.

3. Social classes are hierarchical.
4. Social classes restrict behavior.
5. Social classes are relatively homogeneous.
6. Social classes are continuous rather than concrete.

Three status factors that are used frequently by scholars for estimating social class are: relative wealth (amount of economic assets), power (effect of personal choice or influence over others), and prestige (degree of recognition received from others).

Social factors influences, how individual think, feel and behave; relative to their physical, social and marketing environments. There are certain symbolic identifications which are considered as a status symbol, on the basis of which status is being accorded to an individual including: insignia, titles and designations, pay and perquisites, physical facilities etc.

The number of separate social classes can be used while studying the consumer behavior on such basis like the attitude and behavioral pattern of the consumer. Variations in the number and types of social class categories can vary from two to nine categories. The most frequently used division is of five categories including: lower, lower-middle, middle, upper-middle, and upper class or lower, working-class, lower-middle, upper-middle, and upper class. The other important distribution of the social class is of three categories considering lower, middle, and upper class or blue collar, grey collar, and white collar.

Class system prevalent in India, in general, is closed ended whereas, social class are open ended i.e. people from one class can aspire to move to the higher social class. As per the Indian scenario, NCAER (National Council for Applied Economic Research) has reported five class categories based on access to economic resources. Groups and consumers income taken into consideration includes: very rich (Rs.25,000 and above), consuming class (Rs.45,000–25,000), climbers (Rs. 25,000–45,000), aspirants (Rs. 25,000–16,000), and destitute (Rs. 16,000 and less).

Difficulty in measuring social class structure is their being no specific criteria. Wide range of techniques, which believes to give fair approximate results, is being used. Broad categories include: subjective measures, reputation measures, and objective measures. Within these measures, few important variables are: occupation, income, education, possession, personal performance and interactions. The researchers to study differences in clothing habits, leisure and recreational activities, saving and spending, credit habits, shopping, fashion products etc are using social class identification.

2.4.4 Culture

Culture is the moral power of the consumers through their norms and values, established by the society, in which they live. Culture not only influences the behavior of an individual but also reflects the same. It is a mirror of both values and possessions of its members. Some values are relatively resistant to change whereas; the others do change gradually and continuously. It can be studied as a broadest parameter of a society and can rightly be called as the personality of the society.

Study of psychology explains why consumers behave in a particular manner whereas; the study of culture explains how they behave. Culture consists of traditional ideas, particularly the values attached to these ideas. It includes both abstract elements (values, attitudes, ideas etc.) and material elements (those objects that are valued by a large group of people in meeting their various needs). Combination of both the elements characterizes the large group of people.

Consumers' perception is influenced mainly by the culture, which in turn affects the preference and purchase. Marketing mix, an important element for marketers, is effective as long as it is relevant to a given culture. Although people hardly ever notice their own culture, thus it is adaptive, dynamic and patterned.

Basic Characteristics of culture includes

1. Culture is a learned response.
2. Culture includes inculcated values.
3. Culture is a social phenomenon, adaptive to the needs of the society.

4. Culture is a gratifying response.
5. Culture is invented.
6. Culture satisfies needs.
7. Culture is subjective and dynamic.

The major characteristics of culture show that the behavioral culture and the same will help the marketing manager to cope with the rational aspects of consumer behavior. As culture constitutes a group (society) behavior, more than an individual way of thinking and behaving.

The multifaceted nature of culture can be measured by applying either one or more of the following techniques:

1. Projective test.
2. Attitude measurement test.
3. Depth interviews and group discussion.
4. Observation.
5. Content analysis.

Subculture serves three important functions to individual: group identification, group of networks and institutions, and a frame of reference. Analysis of subculture can be done at various stages based on demographic or socio cultural variables. It can be based on religion, region, language, age, and gender etc. In Indian context, the diversity of subculture is based not only on the above mentioned variables but also on caste, sub-caste system and rural urban basis.

All consumers are members of not only one but more than one subcultural segment. Thus, marketers should strive to study the multiple subcultural memberships and should interact to influence target consumers. With a proper segmentation of a market and fine tune of marketing strategies, marketers can meet the specific needs, motivations, perceptions and lifestyles shared by the people of same subcultural group.

Subculture can be taken into consideration by dividing the market on the following subcultural basis:

1. Geographic subculture
2. Age subculture
3. Ethnic subculture
4. Gender subculture
5. Income subculture
6. Nationality subculture
7. Religion subculture.

To understand the effect of cultural differences and similarities on consumer values, one has to study social class. But there are no boundaries specifying separate social classes and there is no agreement as to where one social class ends and another begins. Individuals tend to associate much more with one another than they do with members of other classes. As a result, class relates differently to consumption on the basis of cultural context.

2.4.5 Group influence

A reference group is one whose presumed perspectives or values are being used by an individual, on the basis of their current behavior.

Thus, a group is not any random collection of people. Each group has a unique ideology, and distinct features from another. An individual at a point of reference, so as to arrive at the judgment, preferences and beliefs, is using Reference group. Selection of a group or reference group mainly reflects the type of influence one has to consider before being a part of the same. Both positive and negative effect on consumers can be analyzed with the help of the reference group.

As mentioned above, group helps in arriving at a firm conclusion of whether to possess a goods/services or not. Group formation helps in interpersonal attraction with the other members of the same group. It also serves as a means of need satisfaction by acting as a

vehicle of socialization. Basic means to which group formation helps is to arrive at a decision making and getting the work done in a satisfactory manner.

All the comments and theories on consumer behavior, from the experts stress on group formation and its importance. The benefits, which an individual have, as group member includes:

1. Greater sum total of knowledge and information.
2. Greater number of approaches to the problem.
3. Participation increases acceptance.
4. Better comprehension of the problem and solution.
5. Group acts as a motivator.

Instead of above mentioned merits, there are also certain disadvantages of group formation. The important ones to be considered are

1. Solution mindedness
2. Compromised results
3. Untimely decisions
4. Conflicts
5. Diffusion of responsibility
6. High coordination cost in time and money

After considering the pros and cons of group formation consumer can decide whether to be a part of a particular group or not, as each and every consumer is directly or indirectly, a part of one or the other group.

Several types of reference groups and their key distinguishing characteristics are highlighted in Table 2.1. There are five different categories in which reference groups can be studied. All the consumers are a part of one or the other group at a point of time. Irrespective of the market environment, consumers follows these groups.

Table 2.1
Different Reference Groups and Their Distinctive Features

Types of Reference Group	Key Distinction and Characteristics
Formal/informal	Formal reference groups have a clear specified structure where as informal groups do not
Primary/secondary	Primary reference group involve direct fact to face interactions secondary groups do not
Membership	People become formal members of membership reference group
Aspirational	People aspire to join or emulate aspirational reference group
Dissociative	People seek to avoid or reject dissociative reference group

Source: Kotler, P., 1997.

2.4.6 Learning

When people act they learn. Thus, learning is the acquisition of new process, occurring as a result of experience or practice. An individual's behavior and nature can be determined through learning. Learning is the knowledge got to study.¹⁸ Learning process changes the individual's behavior, opinion, and attitude, to observe and understand. It can result in either positive or negative movement of the same.

A major determinant on which learning of an individual depends is the method of learning, characteristics of learning material, and the learner. The learners need not to have the direct experience; they can also learn by observing events that affects others. Important elements involved in the learning process are: change in behavior, experience or practice. One has to consider learning as a permanent change in behavior, which varies from the capacity of one individual to another. Essential components for learning are includes: motivation, cue, response, and reinforcement.

¹⁸ Oxford (2006) "Paper Back Dictionary Thesaurus and Word Power Guide", Oxford University Press, New Delhi.

- Motivation - A stimulus activity which occurs due to a stronger need for a goods/services. The preliminary stage, which makes consumer involve in the product, is motive. To make the awareness about the product appearance in the market and involving consumers to enquire the same is the basic motive. Here, the consumer and the product are brought together.
- Cues - Cues are minor or weak stimuli but provide direction to the motives. Almost everyday numerous cues are suggested to the consumers through advertisements, display, prices, and packages etc. Cues serve to help consumers purchase certain brand by making awareness about the same. Cues used by producer vary not only from market to market but from consumer to consumer also.
- Response - Response is the result or outcome of cues and stimuli. It can be physical or mental in nature, depending upon the learning. The response of the consumer depends on the previous learning experience. Every cue has a response and all may not be positive. Only the positive response results in purchase of the product.
- Reinforcement - To make the consumer purchase the product, is the main motive of the producer but this motive does not stop at a one-time purchase. Reinforcement leads to the purchase and consumption of the same product again and again.

Learning reflects the effects of experience. One of the current marketing consumer behaviors is: none of the firm is engaged in overall measurement of what consumer learns.¹⁹ Learning is the development of new behavioral pattern, which may become way of life.²⁰

¹⁹ Op cit (1976)

²⁰ Wasson, C. R. (1968) "Competition and Human Behavior", Appleton-Century-Crofts, Educational Division, Meredith Corporation, New York.

2.4.7 Motivation

Most basic and driving force, which propel individual into an action is Motivation; some unfulfilled needs, wants, or desires a person feels i.e. the state of deprivation as a result of tension in mind. Every individual tries to reduce this tension by looking for an incentive, which can satisfy his or her needs. As human wants are unlimited, after getting a single want satisfied at a time, the very next moment new want or desire arises. Thus, the process to search for the means is an ongoing process. Means and ways to the process vary not only from person to person but within the environment. The essence of every marketing program is the human or the consumer needs. Products and services offered in the market are to match the unfulfilled needs and motives of consumers.

Psychologists can better study the behavior and the driving force. The milestone work of A.H. Maslows was first presented in 1972. The need theory of Maslow shows the hierarchy levels in five stages in the form of pyramid.

Mostly internal stimuli gets satisfied first then only the ways and means to think of status or prestige would come in mind. These sets of needs are repetitive in nature and thus make the basic platform for an individual to stand in society. The next level of need emerge with a motive of safety and security. The driving force is concerned with security, certainty, and stability rather than only physical safety. The third level is the social needs constituting love, affection, acceptance, and belongingness etc. One can understand the importance of social needs as people have strong attachment with their families where love and affection is the linking factor. Next stage includes social or ego needs, including reputation, prestige, status, self-esteem, success etc. Here the ways and means of satisfactory level varies from blue collar to white-collar personnel. The highest point of pyramid suggests self-actualization need fulfillment. Once the other lower level needs are satisfied by the motivating behavior and satisfying incentives of a person self-actualization need arises.

The important forthright statement about consumer behavior is that, as soon as one want or desire is satisfied, the other arises and the same is a continuous process. Also a

satisfied need is no more a driving force, only unsatisfied need is capable to motivate individual.

The major problem with need hierarchy theory is, it is not at all possible to measure accurately how satisfied ones need is before the next higher level need becomes active.

2.5 Conclusion

The interdisciplinary richness of the field of consumer behavior is studied in the present chapter. Here the fundamentals for critical thinking in the area of consumer behavior are emphasized. Communication technology has enabled consumers to become more aware of things and hence, more options are available in the market. This has made the marketers to undertake a broader view on individual consumption behavior.

Basic models of consumer behavior will always be the same, irrespective of the market environment and growth. Individual behavior can be analyzed and studied but the collective behavior of the consumers should be considered with the basic guidelines, as specified in the present chapter.

In the light of various theories presented in this chapter, the questionnaire is prepared to examine consumer behavior.