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Individual influences on Consumer Behaviour

Part 1

Module 3

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- <https://www.youtube.com/watch?v=aGfdub>

MOTIVATION DE

- “...analysis of the various factors which individual’s action.”
- ‘The internal mechanisms and external stimuli direct our behaviour’
- Motivation psychology is concerned with origin, the direction and the persistence of behaviour
- “...the direction and intensity of effort.”

MOTIVATION means

- To stimulate
- To impel
- To move
- To induce





The Basics of Motivation

Motivation is the result of the interaction between internalized needs and external influences that

“a reason to put forth your best effort”



SO,...WHAT DOES MEAN?

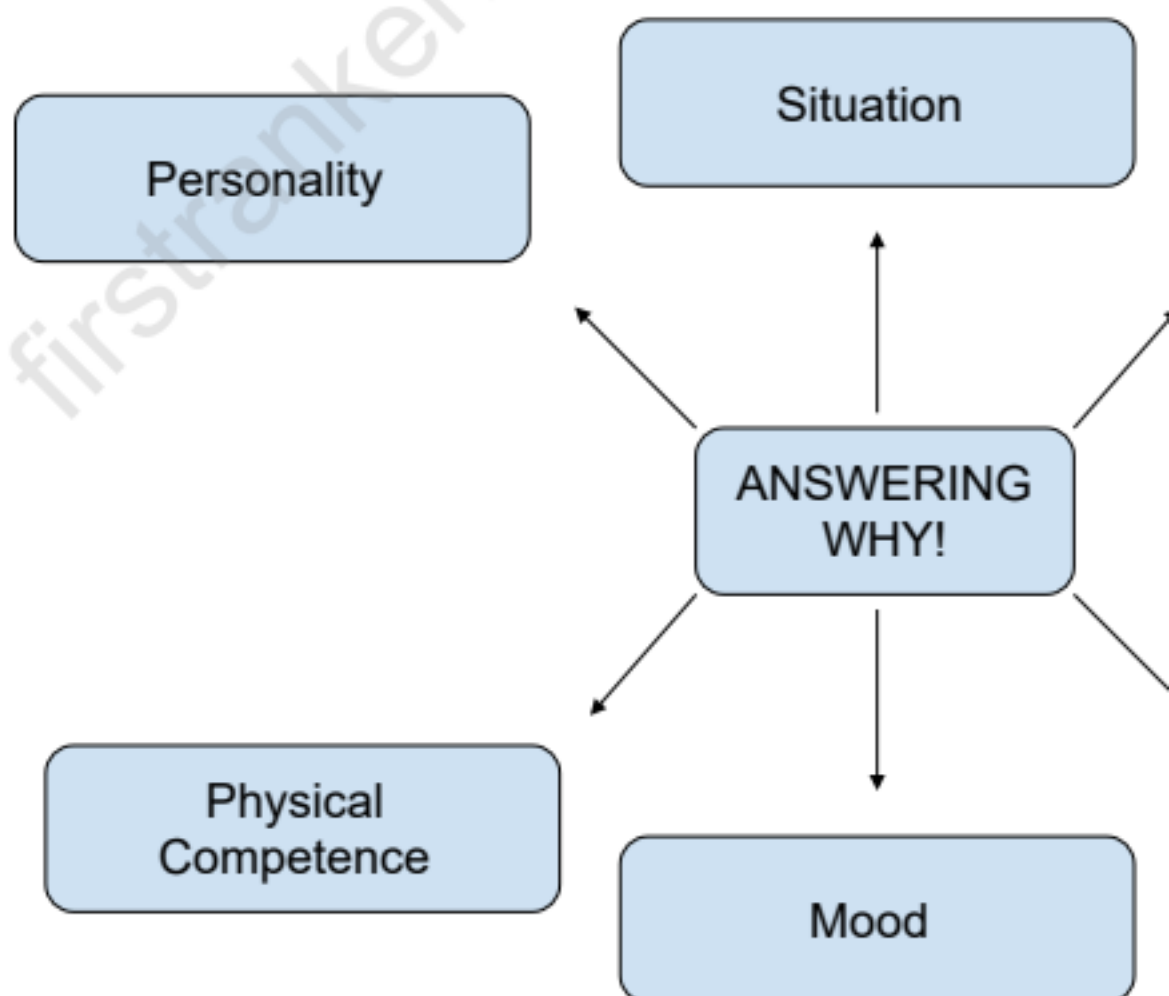
- **Strong link between motivation and the**
- **Motivation arises from the cumulative e**
- **Motives are:**
 - **Reasons for doing things**
 - **Relatively stable**
 - **Dispositions**
 - **Acting at the same time (+ve and -ve)**
- **Motives can strengthen or antagonise**



UNDERSTAND MOTIVATION

● Understanding motivation h
WHY?

- Why do some people particip
- Why do some people continu
- Why do some people discont





Consumer Needs

We use the term 'need' when referring to any human requirement. A need is a state of deficiency that motivates an individual to seek a variety of other words that may be used – such as wants.

Every individual has needs; some are innate, others are learned. Needs are important, needs underlie all human action. Innate needs (biogenic); they include the needs for food, water, air, clothing, and shelter.

Because they are needed to sustain biological life, biogenic needs are also called primary needs or motives.



Consumer Needs

Acquired needs are needs that we learn in re environment.

They may include the need for **self-esteem, prestige,** a
Because acquired needs are generally psychological
considered secondary needs or motives.



Goals

Goals are sought-after results of motivated behaviour.
All behaviour is goal-oriented.

Marketers are even more concerned with consumers' needs – that is, the specifically branded or labeled products.

For example, Lipton Company wants their consumer to see it as a good way to satisfy summer thirst (i.e. as a product-s



Needs and goals are interdependent

Needs and goals are interdependent; neither exist in isolation. Often, people are often not as aware of their needs as they are of their goals.

For example, a teenager may not be consciously aware of a need for social connection but may join a photography club to meet new friends. A person may be aware of a power need but may regularly run for public office to achieve it.



Positive and Negative Motivation

Motivation can be positive or negative in a strong driving force towards some object or driving force away from some object or condition.

For example, a person may be impelled to fulfil a hunger need and away from motivation to fulfil a safety need.

Motivations and C

Positive

- Motivation
 - A driving force toward some object or condition
- Approach Goal
 - A positive goal toward which behavior is **directed**

N

- Motivation
 - A drive from some condition
- Avoidance Goal
 - A negative goal toward which behavior is **directed**



Types of Motivators

Intrinsic

- autonomy
- belonging
- curiosity
- love
- learning
- mastery
- meaning
- ...



- ### Extrinsic
- badge
 - comp
 - fear o
 - fear o
 - punish



Rational versus Emotional Motives

Some consumer behaviorists distinguish between rational motives and emotional (or-irrational) motives.

Rational - carefully consider all alternatives and select the one that provides the greatest utility.

In a marketing context, rationality implies that decisions are based on totally objective criteria, such as miles per gallon or kilometers per liter.

Emotional motives - imply the selection of goods based on subjective criteria (e.g. pride, fear, or the desire for affection, status).



Arousal of Motives

- The arousal of any specific set of needs at a specific time is caused by internal stimuli found in our physiological, emotional or cognitive processes, or by external stimuli in our environment.
- For the most part, purchases will not be made until the need is aroused and are activated to satisfy it.
- Unsatisfied needs create a state of tension.



Arousal of Motives- Influence

- **Physiological Arousal**

Bodily needs at any specific moment are rooted in the condition at that moment.

A drop in blood sugar level, or stomach awareness of a hunger need.

A decrease in body temperature will induce someone to be aware of the need for warmth



Arousal of Motives- Influence

- **Emotional Arousal**

People who are bored or frustrated in attempts to engage in daydreaming, in which they imagine desirable situations.

These thoughts tend to arouse dormant needs and uncomfortable tensions that 'push' them into goals.

A young woman who dreams of becoming a business school graduate.

A young man who wants to play professional football as a major league player and use the products he endorses.



Arousal of Motives- Influence

- **Cognitive Arousal (thinking and reasoning)**

Sometimes random thoughts or a personal act of cognitive awareness of needs.

An advertisement that provokes memories of instant recognition of the need to speak with s



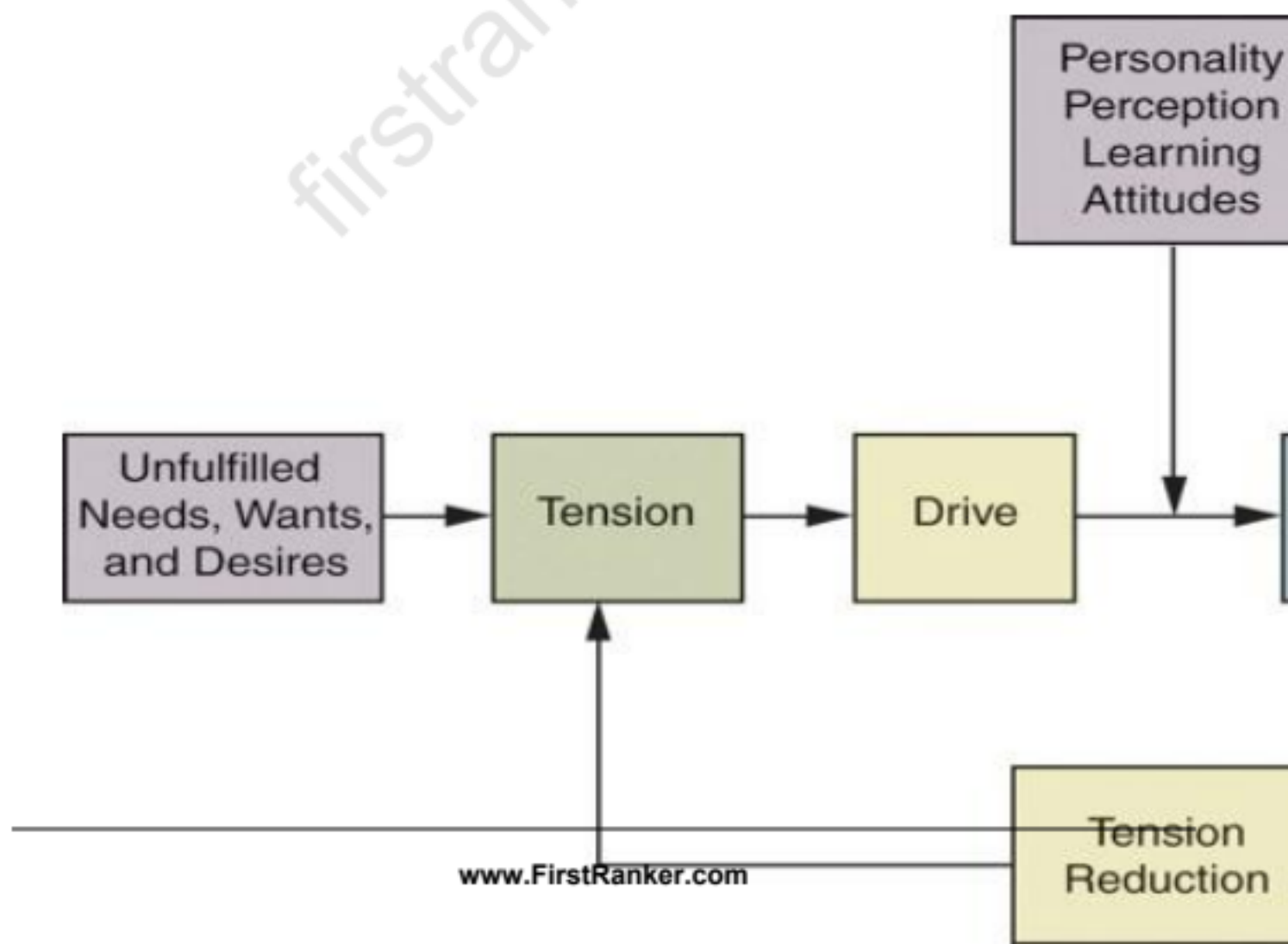
Arousal of Motives- Influence

- **Environmental Arousal**

The set of needs activated at a particular time by specific cues in the environment. Without these cues, needs remain dormant.

For example, the six o' clock news, the sight of a loaf of bread, fast food TV commercials, the children's cries for food, these may arouse the "need" for food.

Motivational Process



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Motivational Theories

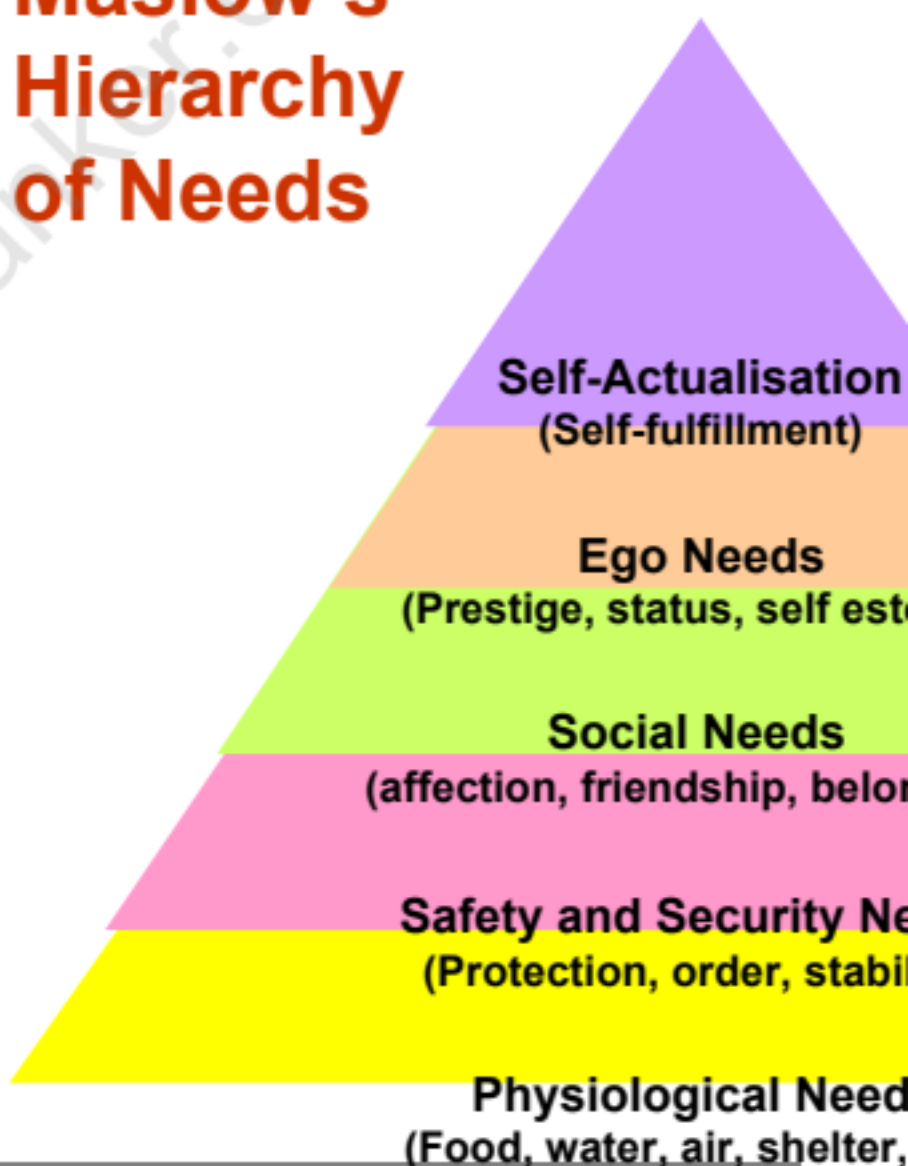


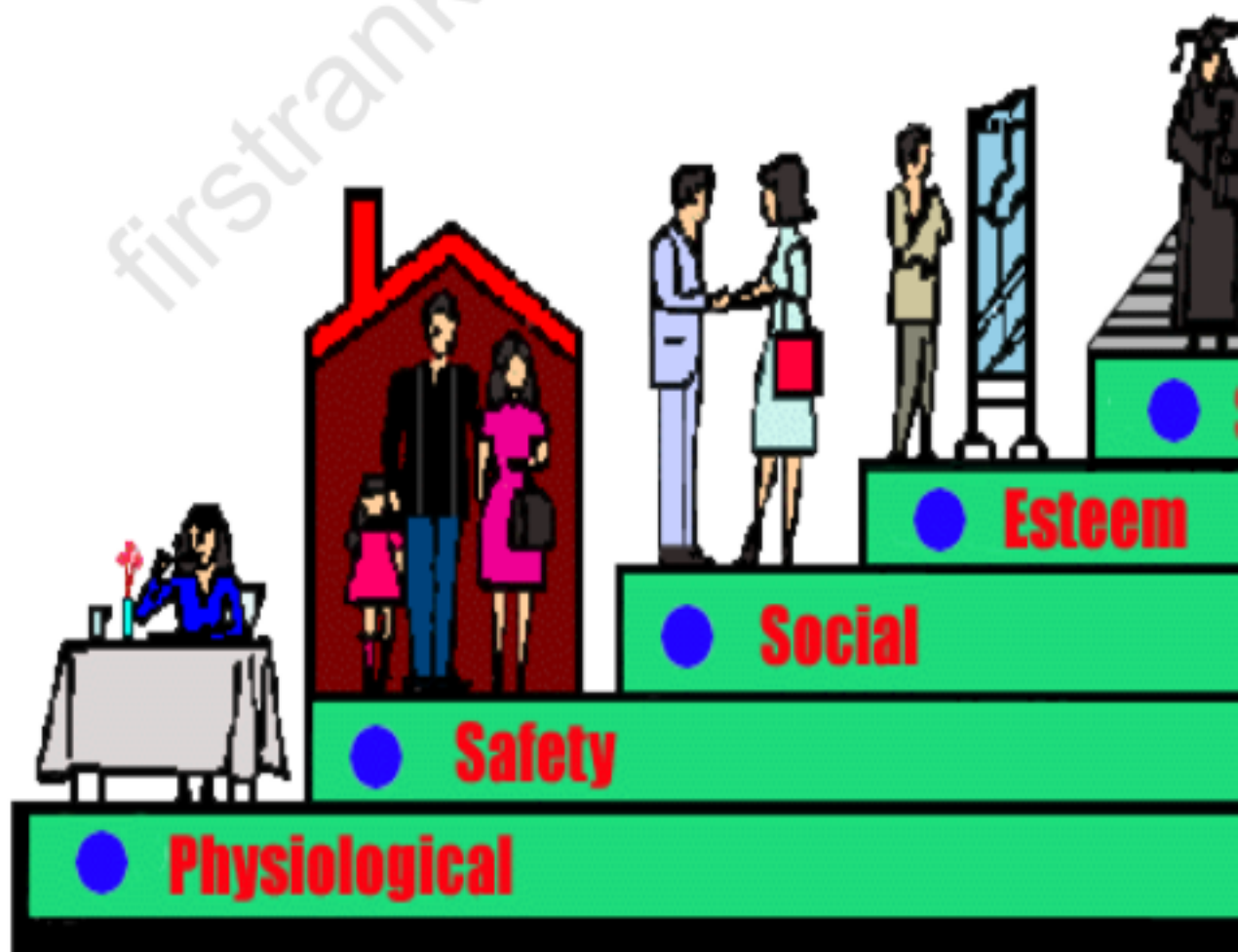
Maslow's Hierarchy of Needs

(1939-1943)

- Maslow argued that needs are hierarchical; lower level needs must be met before a person will move to higher level needs
- Once a need has been satisfied, it ceases to motivate
- People have different needs and are motivated by different things

Maslow's Hierarchy of Needs





McGuire's Psychological Motives

- Cognitive preservation motives
- Cognitive growth motives
- Affective growth motives
- Affective preservation motives

McGuire's Four General C

- **Cognitive motives:** focus on the person adaptively oriented toward the environment sense of meaning.
- **Affective motives:** deal with the need feeling states and to obtain personal goals
- **Preservation-oriented motives:** en individual as striving to maintain equilibrium
- **Growth motives:** emphasize development



McGuire's Psychological Motives

Cognitive preservation motives or needs

<i>Consistency</i>	The need for internal equilibrium or balance.
<i>Causation</i>	The need to determine who or what causes the th
<i>Categorisation</i>	The need to establish categories or mental partition
<i>Cues</i>	The need for observable cues or symbols that ena

Cognitive growth motives or needs

<i>Independence</i>	The need for a feeling of self-governance or self-c
<i>Novelty</i>	The need for variety and difference.
<i>Teleological</i>	The need to achieve desired outcomes or end sta
<i>Utilitarian</i>	The need to learn new information to solve proble

McGuire's Psychological Motives

Affective preservation motives or needs

<i>Tension reduction</i>	The need to reduce stress.
<i>Self-expression</i>	The need to express self-identity to others.
<i>Ego-defence</i>	The need to defend or protect our identities or ego.
<i>Reinforcement</i>	The need to act in such a way that others will reward.

Affective growth motives or needs

<i>Assertion</i>	The need to increase self-esteem.
<i>Affiliation</i>	The need to develop mutually satisfying relationships.
<i>Identification</i>	The need to adopt new roles.
<i>Modelling</i>	The need to base behaviours on those of others.

Source: Adapted from W. J. McGuire (1974), 'Psychological Motives and the Social Process', in J. G. Blumler and G. Katz, *The Uses of Mass Communications: Current Perspectives on Media Research*, Sage, Beverly Hills, CA, pp. 167-86.



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- The word personality stems from the Latin *persona*, which referred to a theatrical mask work by performing different project different roles or disguise



**What is
Personality?**

The
psych
characte
both dete
reflect ho
responds
enviro



The Nature of Personality

- Personality reflects individual differences
- Personality is consistent and enduring
- Personality can change

Theories of Personality

- Freudian theory
 - Unconscious needs or drives are the primary source of human motivation
- Neo-Freudian personality theories
 - Social relationships are fundamental to the formation and development of personality
- Trait theory
 - Quantitative approach to personality based on psychological traits



Freudian Theory

- **Id**
 - Warehouse of primitive (ancient) instincts which individual seeks immediate gratification
- **Superego**
 - Individual's internal expression of moral and ethical codes of conduct
- **Ego**
 - Individual's conscious control to balance the demands of the id and superego



The Id

- The id is the only component of personality that is entirely unconscious.
- This aspect of personality is entirely unconscious and is responsible for instinctive and primitive behaviors.
- According to Freud, the id is the source of all our drives and is the primary component of personality.

Id

- The id is driven by the pleasure principle, which seeks the gratification of all desires, wants, and needs.
- If these needs are not satisfied immediately, it results in anxiety or tension.

Figure 5.1
Ad
Portraying
the Forces
of the Id



- For example, an increase in hunger or thirst results in an immediate attempt to eat or drink.
- The id is very important early in life, because the infant's needs are met.
- If the infant is hungry or uncomfortable, he or she knows the demands of the id are satisfied.



The Ego

- The ego is the component of personality that is dealing with reality.
- According to Freud, the ego develops from the id, and the impulses of the id can be expressed in a socially acceptable way in the real world.
- The ego functions in both the conscious, pre-conscious, and unconscious mind.

- The ego operates based on the reality principle to satisfy the id's desires in realistic and socially acceptable ways.
- The reality principle weighs the costs and benefits of acting, deciding to act upon or abandon impulses.
- In many cases, the id's impulses can be satisfied through delayed gratification--the ego will eventually satisfy the id's desires only in the appropriate time and place.



The Superego

- The last component of personality to develop
- The superego is the aspect of personality that internalizes moral standards and ideals that parents and society - **our sense of right and wrong**



There are two parts of the sup

- The **ego ideal** includes the rules and standards
- These behaviors include those which are approved by other authority figures. Obeying these rules brings a sense of value, and accomplishment.
- The **conscience** includes information about behaviors that are bad by parents and society.
- These behaviors are often forbidden and lead to punishments, or feelings of guilt and remorse.

Freudian Theory “Product Persona”

- Consumer researchers using Freudian personality theory see consumption as a reflection and extension of consumer's own personality



Neo-Freudian

Horney's CAD Th

- Using the context of child-parent relationships, individuals can be categorized into:
 - Compliant individuals
 - Aggressive individuals
 - Detached (separate) individuals



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**Compliant (in
compliance)
Personality**

One who
be loved
and appr
oth



**Aggressive
Personality**

One who
against o
compe
others,
excel
admi



**Detached
Personality**

One who
away from
(e.g., who
independence
sufficient
freedom
obligation



Trait Theory

- Personality theory with a focus on psychological characteristics
- Trait - any distinguishing, relatively enduring way in which one individual differs from another
- Personality is linked to how people **make their choices** or to consumers in a **broad product category** - not a specific brand



Assignment

- Discuss various applications of Personality Co
-

Personality and Understanding Co



Personality Traits and Innovators

- **Innovativeness**
- **dogmatism**
- **Social Character**
- **Need for uniqueness**
- **Optimism**
- **stimulation**
- **Variety seeking**



**Consumer
Innovativeness**

The degree to which
consumers are
receptive to
product
service
pr



Dogmatism

A personality
reflects the
rigidity
displays t
unfamiliar
informati
contrary to
own est
beli



Dogmatism

- Consumers low in dogmatism (*open-minded*) are more likely to prefer new products to established or traditional alternatives
- Highly dogmatic consumers tend to be less receptive to ads for new products or services that contain an appeal from an authoritative figure



Social Character

Inner-Directed

- Consumers who tend to rely on their own inner values
- More likely to be innovators
- Tend to prefer ads that stress product features and benefits

Other-Directed

- Consumers who tend to look for social approval
- Less likely to be innovators
- Tend to prefer ads that stress social acceptance

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**Need for
Uniqueness**

**Consumer
appe
Conform (bei
expect
standards**

**Optimum
Stimulation
Levels
(OSL)**

A personal
measures
amount
(innov
comple
individuals
personal e
High OSL
tend to acc
novel pro
readily th
cons



**Sensation
Seeking
(SS)**

A person
characterized
for varied
complex se
experien
willingn
physical an
for the sa
expe



Cognitive Personality

- Need for cognition
 - A person's craving (passion) for thinking to use a product.
- Visualizes versus verbalizes
 - A person's preference for information presented visually or verbally.
 - i.e. TV, Internet
 - Radio



Need for Cognition

- Consumers *high* in NC are more likely to respond to ads rich in product-information
- Consumers *low* in NC are more likely to be attracted to background or peripheral aspects of an ad



From Consumer Materialism to Compulsive Consumption

- Consumer materialism
 - The extent to which a person is “materialistic”
- Fixed consumption behavior
 - Consumers fixated on certain product categories of products
- Compulsive consumption behavior
 - “Addicted” or “out-of-control”



Materialistic People

- Value acquiring and showing-off possessions
- Are particularly self-centered and
- Seek lifestyles full of possessions
- Have many possessions that do not bring greater happiness



Fixated Consumption Behavior

- Consumers have
 - a deep interest in a particular object or category
 - a willingness to go to considerable lengths to secure items in the category of interest
 - the dedication of a considerable amount of discretionary (optional, flexible) income or money to searching out the products
- Examples: collectors, hobbyists



Compulsive Consumption Behavior

Consumers who are compulsive buyers have an addiction; in some respects, they are out of control and their actions may have damaging consequences to them and to those around them.

Consumer Ethnocentrism

Consumer response to foreign made products

- Highly ethnocentric - Swadeshi
- Low ethnocentric - Tends toward



Brand Personality

- Personality-like traits associated with brands
- Examples
 - Tetrapack and freshness
 - Nike and athlete
 - BMW is performance driven
- Brand personality which is strong and favorable will strengthen a brand but not necessarily demand a price premium



Types of Brand Personality

• **Ritualistic : Particular occasion**

- Weeding gift- Titan
- Crackers - Diwali
- Tractor Paints - South Indian celebration

• **Symbolic : the Logo or the Name of brand than**

- Devil - Onida TV

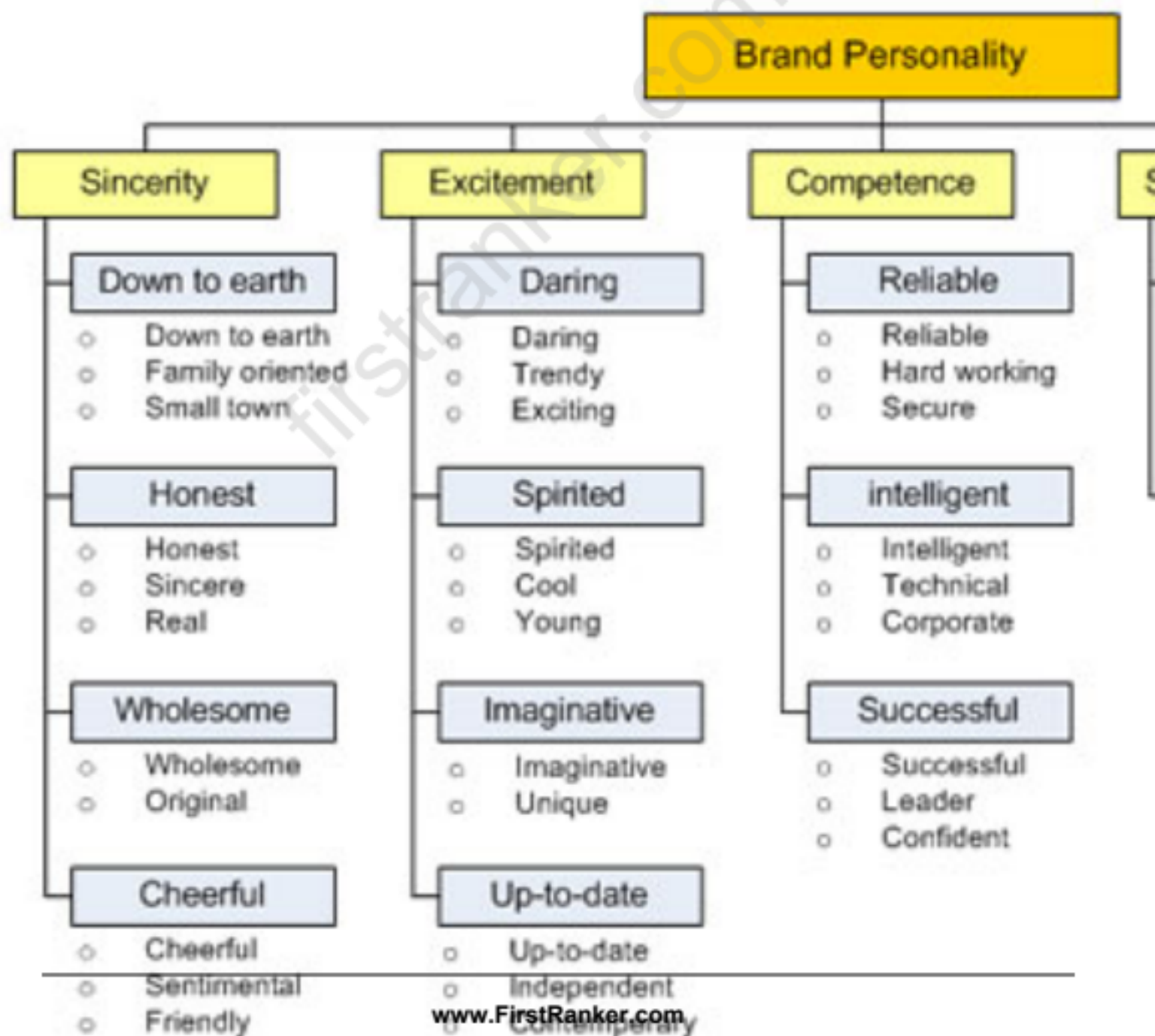


• **Heritage brands :**

- Mysore Sandal :
- Philips :

Types of Brand Personality

- **Exclusive brands : Not for every one**
 - BMW
 - Dove
- **Belonging Brands :**
 - Levi-Jeans
 - RAY BAN –Sunglass
- **Legendary Brands : Great history behind the**
 - Charminar Cigarettes - 7th Nizam
 - Lux -
 - MTR - Mavali Tiffin Room –Ya



Brand Personal

- Brand Personification
- Product personality and gender
- Product personality and geograph
- Personality and color



Brand Personification

- Personality-like traits associated with brand
- Examples
 - Perdue chickens (**freshness**)
 - Nike (**athlete**)
 - BMW is **performance driven**
 - Mr. Coffee is seen as **dependable, friendly, intelligent and smart.**
- Brand personality which is strong and consistent can strengthen a brand and lead to a more positive attitude, brand preference, higher purchase and brand loyalty



Product Personality

- Gender
 - Some products perceived as masculine (e.g., toothpaste) while others as feminine (e.g., shampoo)
- Geography
 - Actual locations, like Philadelphia or Arizona iced tea
 - Fictitious names also used, such as Bear Creek
- Color
 - Color combinations in packaging and design denotes personality

Table 5.10 The Personal Associations of Selected Colors

BLUE	Commands respect, authority	<ul style="list-style-type: none"> • America's favored color • IBM holds the title to the color • Associated with clubs • Men seek products packaged in blue • Houses painted blue • Low-calorie, skim milk • Coffee in a blue can
YELLOW	Caution, novelty, temporary, warmth	<ul style="list-style-type: none"> • Eyes register it fastest • Coffee in yellow cans • Stops traffic • Sells a house
GREEN	Secure, natural, relaxed or easy going, living things	<ul style="list-style-type: none"> • Good work environment • Associated with vegetables • Canada Dry ginger ale changed sugar-free packaging to green and white

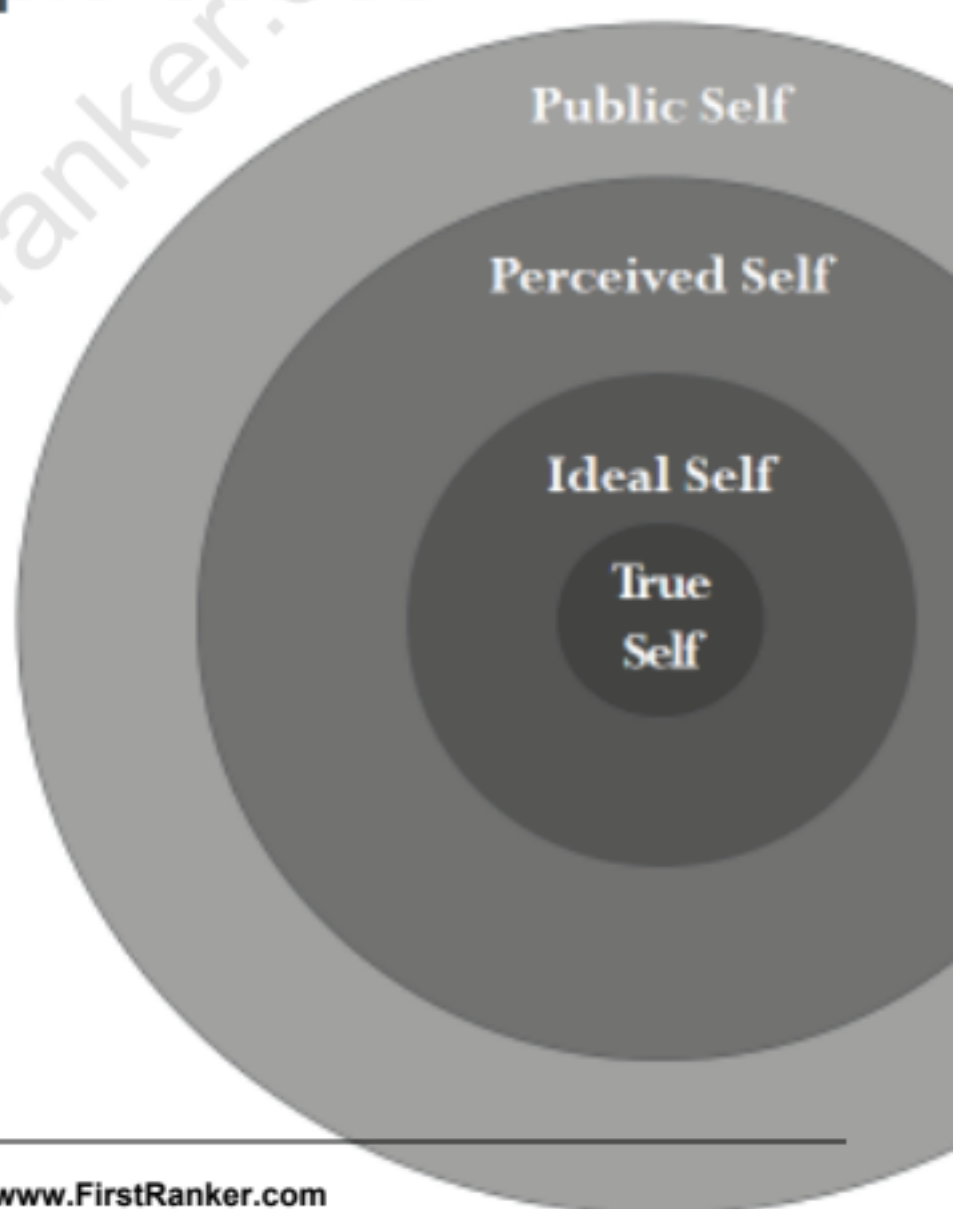


Self-Image

- the idea one has of one's abilities, appearance, and personality.

Multiple Selves

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Different Self-Images

Actual Self-Image

- How consumers see themselves

Ideal Self-Image

- How consumer would like to see themselves

Social Self-Image

- How consumers feel others see them

Ideal Social
Self-Image

- How consumers would like others to see them

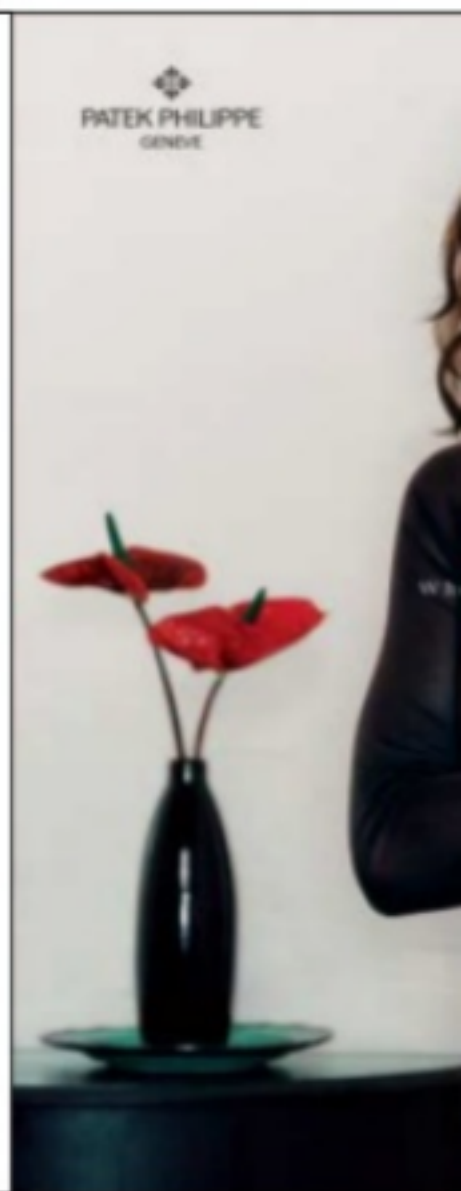
Expected
Self-Image

- How consumers expect to see themselves in the future

Out-to self

- Traits an individual believes he has a duty to possess

Figure 5.9
Ad
Contemplates
Consumer
Self-Image





Possessions Act as Self

- By allowing the person to feel that otherwise would be
- By making a person feel
- By conferring status or
- By bestowing feelings of
- By endowing with magi

Table 5.6 Sample Items Extended Self-Survey

My ____ holds a special place in my life.

My ____ is central to my identity.

I feel emotionally attached to my ____.

My ____ helps me narrow the gap between who I am and who I want to be.

If my ____ was stolen from me I would feel like a part of me is missing.

I would be a different person without ____.



Possessions Act as Self-

- By allowing the person to do things that otherwise would be very difficult
- By making a person feel like a winner
- By conferring status or respect
- By bestowing feelings of love and affection
- By endowing with magic

Altering Self Image

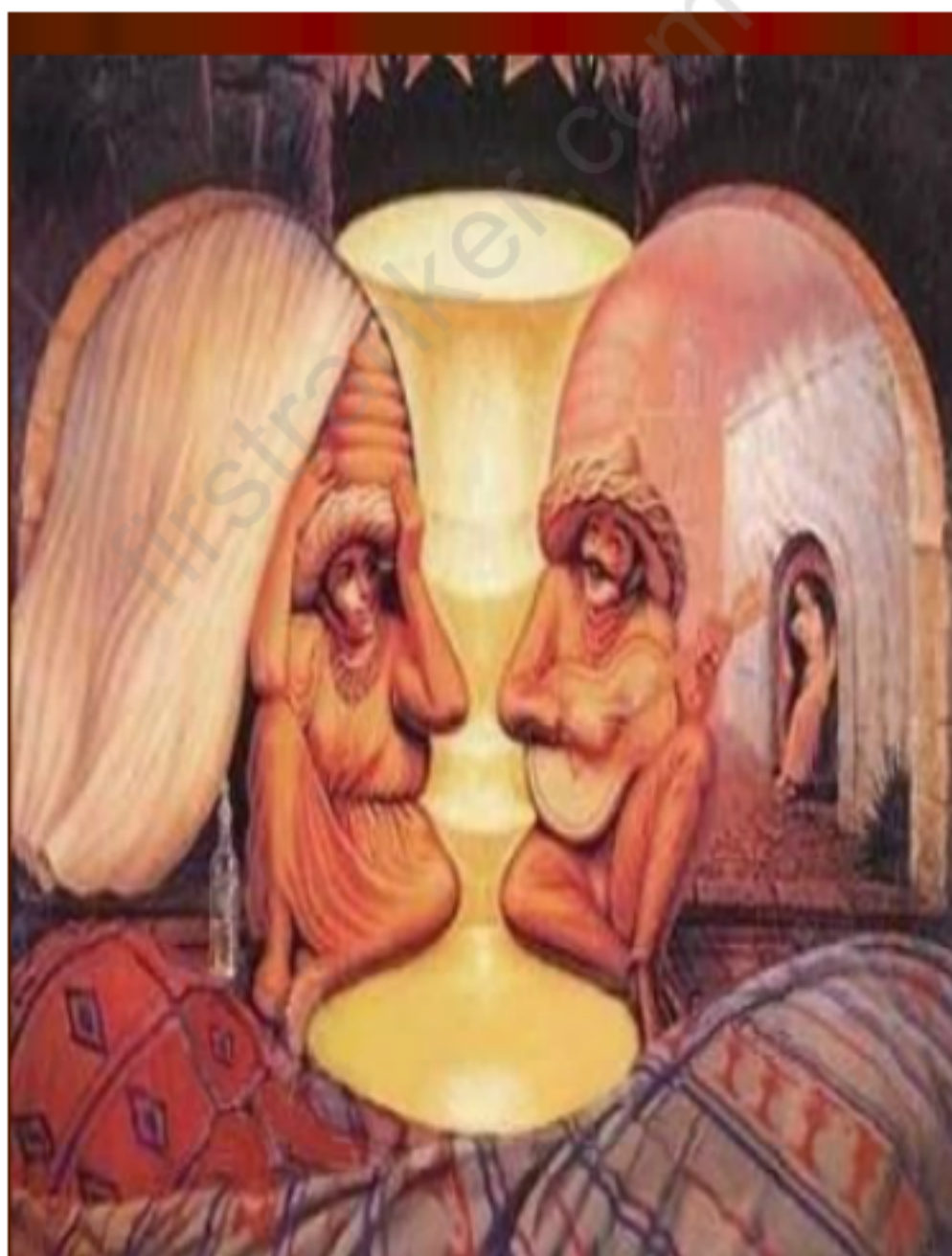
- If actual and ideal self-images are different, consumers use cosmetic products to alter their selves
- Personality vanity: self interest or admiration of one's own appearance/achievements

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Perception



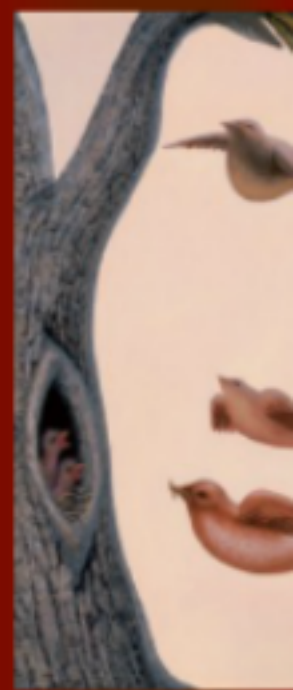
Perception

“Perception refers to the interpretation of what we take in through our senses. In terms of illusions this means our eyes.”

Simply put, our brains are tricked into something which may or may not be real.

WHAT IS PERCEPTION

- Perception Is The Process By Which We Select, Organize, Interpret and Respond To Information From The World Around Us.
- It may be described As a Person's View Of Reality.





BASICS OF PERCEPTION AND IMPLICATIONS

- Individuals act and react on the basis of their perception, not on the basis of objective reality.
- Perception is a totally personal phenomenon, influenced by a person's needs, wants, values, and personal experiences.
- But for the marketer's consumer perception knowledge



Elements of Perception

- **Sensation**
- **The absolute threshold**
- **The differential threshold**
- **Subliminal perception**



Sensation

- Sensation Is the immediate and direct response to stimuli.
- A stimulus may be any unit of input to any of the senses.
- **Examples** of stimuli include products, packaging, advertisements and commercials.
- **Sensory receptors** are the human organs that receive stimuli. Their sensory functions are to see, hear, smell, taste and feel.
- All of these functions are called into play, either singly or in combinations, in the evaluation and use of marketing information.



The Absolute Threshold

- The lowest level at which an individual can respond to a stimulus is called the absolute threshold.
- The point at which a person can detect a difference between “something” and “nothing” is that person’s absolute threshold for that stimulus.



Examples of Absolute Thresholds

Adapted from

Sense	Threshold
Vision	A candle flame 30 miles away
Hearing	A watch ticking 20 feet away
Smell	A drop of perfume in a six-room house
Taste	A teaspoon of sugar in a gallon of water
Touch	A wing of a fly on your cheek, dropped from a height of 1 foot

THE DIFFERENTIAL THRESHOLD

- The ability of a sensory system to detect changes or differences between two stimuli
 - Minimum difference between two stimuli is the **j.n.d.** (**just noticeable difference**)

Ex.

packaging
be subtle
to keep



Old



Subliminal perception

- People are also stimulated below their level of awareness; that is, **they can perceive stimuli without consciously aware that they are doing so.**
- A **subliminal** message is a signal or message designed below (sub) the normal limits of **perception.**
- For **example** it might be inaudible to the conscious mind (but audible to the unconscious or deeper mind) or an image transmitted briefly and unperceived consciously, yet **perceived** unconsciously.



Subliminal perception

- According to several "experts", recording subliminal music can not only persuade people to buy instead also change our lives.
- **"Self-Help"** subliminal audio tapes can be found on the web, in shopping malls and in mail-order catalogs.
- Anytime you can listen to a cassette or CD -while working, jogging outside or cooking dinner, **for example** learn a new language, quit smoking, lose weight or improve your memory without having to consciously participate in the process.
- **Though you may not be aware of what you're hearing, your brain are still acquiring information.**

Subliminal perception

- Subliminal advertising -- placing fleeting or images in commercial content in the hopes that v will process them unconsciously -- doesn't work.
- Recent research suggests that consumers do som respond non-consciously to cues they aren't cons aware are there.
- Subliminal exposure to the Apple brand seems to people more "creative" than if they are exposed IBM brand, for instance.



Dynamics of perception

- Human beings are constantly bombarded with sensations every minute and every hour of every day.
- The sensory world is made up of an almost infinite number of sensations that are constantly and subtly changing.
- One type of input is **physical stimuli** from the external world.
- The other type of input is provided by individual differences in the form of certain **predispositions** based on previous experiences.

Dynamics of perception

- The combination of these two very different for each of us a very private, very personal perception
- Because each person is a unique individual, with unique needs, wants and desires, and expectations, each individual's perceptions are also unique.



Dynamics of perception

- **Perceptual Selection**
- **Perceptual interpretation**
- **Perceptual Organization**
- **Perceived price**
- **Perceived quality**
- **Perceived Risk**



Perceptual Selection

- Consumers subconsciously exercise a great deal of perceptual selection as to which aspects of the environment they pay attention to.
- An individual may look at some things, turn away from still others.
- In actuality, people receive only a small portion of the information to which they were exposed.



1. Perceptual Selection

- Which stimuli get selected depends on addition to the nature of the stimulus i
 - (1) Consumers previous experience as it expectations. And
 - (2) their motives at the time.
- Ease of these factors can serve to increase probability that a stimulus will be perceived



Nature of the stimulus

- Marketing stimuli include an enormous number of factors that influence the consumers perception, such as-
- Nature Of The Product,
- Its Physical Attributes,
- The Package Design,
- The Brand Name,
- The Advertisements And Commercials Included,
- Choice And Sex Of Model,
- Size Of Ad,
- Topography,
- The Position Of Print Ad Or A Commercial, And



Expectations

- People usually see what they expect to see
expect to see is usually based on family
- In a marketing context, people tend to judge
product attributes according to their own



Motives

- People tend to perceive the things
 - the stronger the need the greater the awareness of unrelated stimuli in the environment
- In general, there is heightened awareness of stimuli that are relevant to one's needs and decreased awareness of stimuli that are unrelated to those needs.



Selective perception

- The consumers “selection” of stimuli from the environment is influenced by the interactions of expectations and motives with the stimuli.

These factors give rise to four important concepts:

1. Selective Exposure

- Consumers actively seek out messages that they are sympathetic to and avoid those which they are not. They also selectively expose themselves to information that reassures them of the wisdom of their purchase decisions.



2. Perceptual Interpretation

- Stimuli are often highly ambiguous. Some stimuli are affected by such factors as poor visibility, brief exposure, and constant fluctuations. Even the stimuli that are stable can fluctuate dramatically because of such factors as changing viewing, varying distances, and changing levels of illumination.



Perceptual Distortion

- Individuals are subject to a number of influences that distort their perceptions, such as physical appearance, social impressions, jumping to conclusions and the like.
- Consumer imagery
- Consumers have a number of enduring perceptions that are particularly relevant to the study of consumer behavior and brands have symbolic value for individuals based on the basis of their consistency with their self-image.



Product Positioning

- The essence of successful marketing is the image in the mind of the consumer-that is positioning. Positioning is the ultimate success of a product than are its actual features, although products are poorly made will not succeed on the basis of image alone.
- Product repositioning
- Regardless of how well positioned a product appears, it may be forced to reposition it in response to market conditions, competitor cutting into the brands market share by stressing the same attribute.
- Perceptual mapping
- It helps them to know how their product and service are perceived by customer when compared to the competitors' products.



3. Perceptual Organization

- People do not experience a numerous stimuli environment as separate and discrete sensations; they organize them into groups and perceive them as meaningful objects.

Figure and Grounds

- People have tendency to organize their perceptual figure-ground relationship. How a figure-ground perception is influenced by prior pleasant or painful associations with other element in isolation.



4. Perceived price

- It is important to know how the consumer perceives the price. The price can be high, low or as fair. The consumer must be satisfied that the price which he is paying is fair. No one will be happy to pay a price that he has paid twice the price.



Perceived quality

- The consumer usually judges the quality of a product based on various attributes relating with it. Such related factors become important in order to satisfy the customer.
- Perceived quality of the product
- Cues that relate to the physical characteristics of the product, such as color, texture, or aroma, size etc
- Perceived quality of the service
- The service is more difficult for the consumer to evaluate because it is intangible and perishable. They are produced and consumed simultaneously.
- Price quality relationship
- The studies have found out that consumers rely on price to judge product quality, that consumers attribute different values to products that carry different price tag, and that such consumer characteristics like income affect the perception of values.



Price/Quality Relation

The perception of price as an indicator (e.g., the higher the price, the higher the quality of the product).

FIGURE 5-9

Conceptual Model of the Effect of Price, Brand Name, and Store Name on Perceived Quality

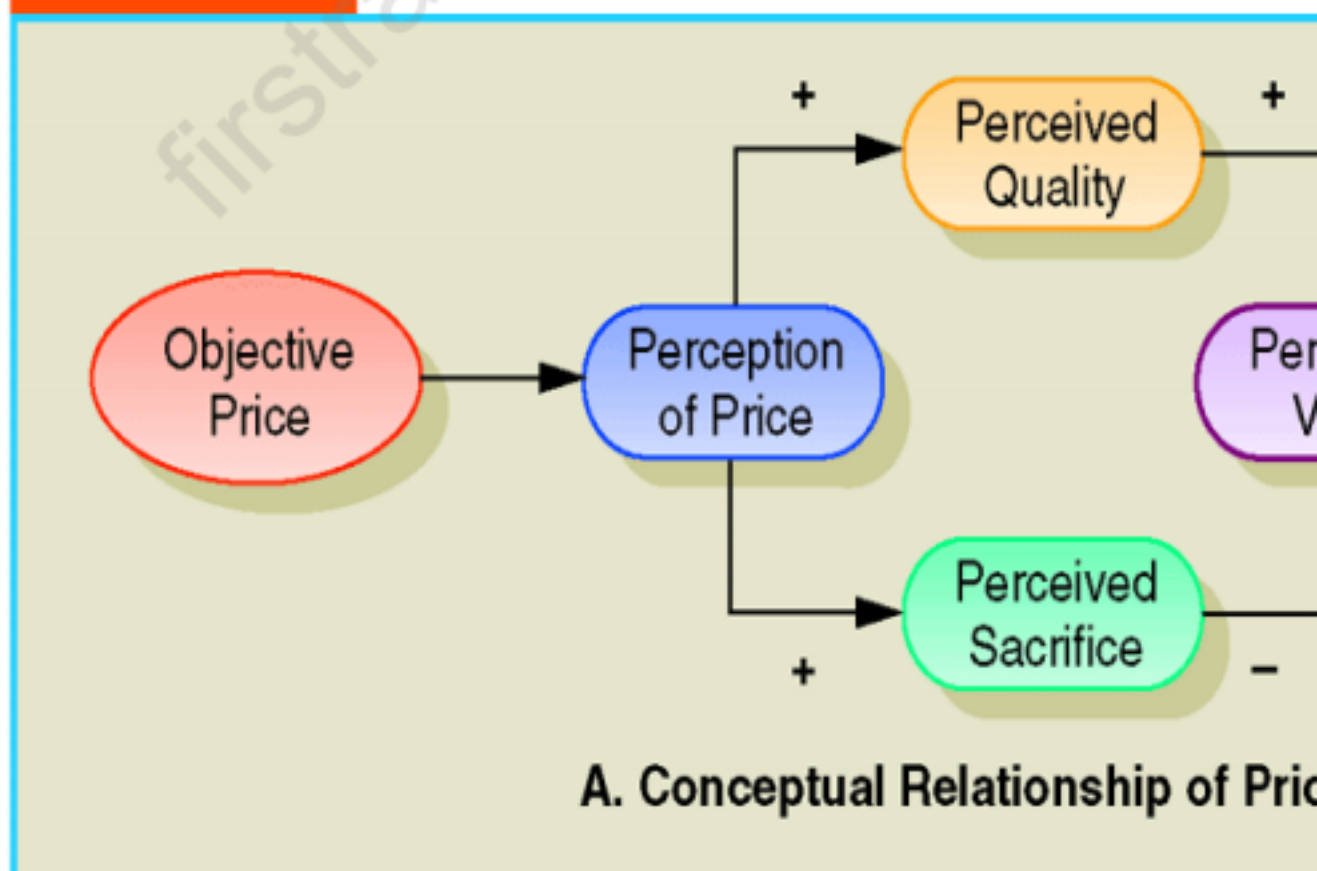
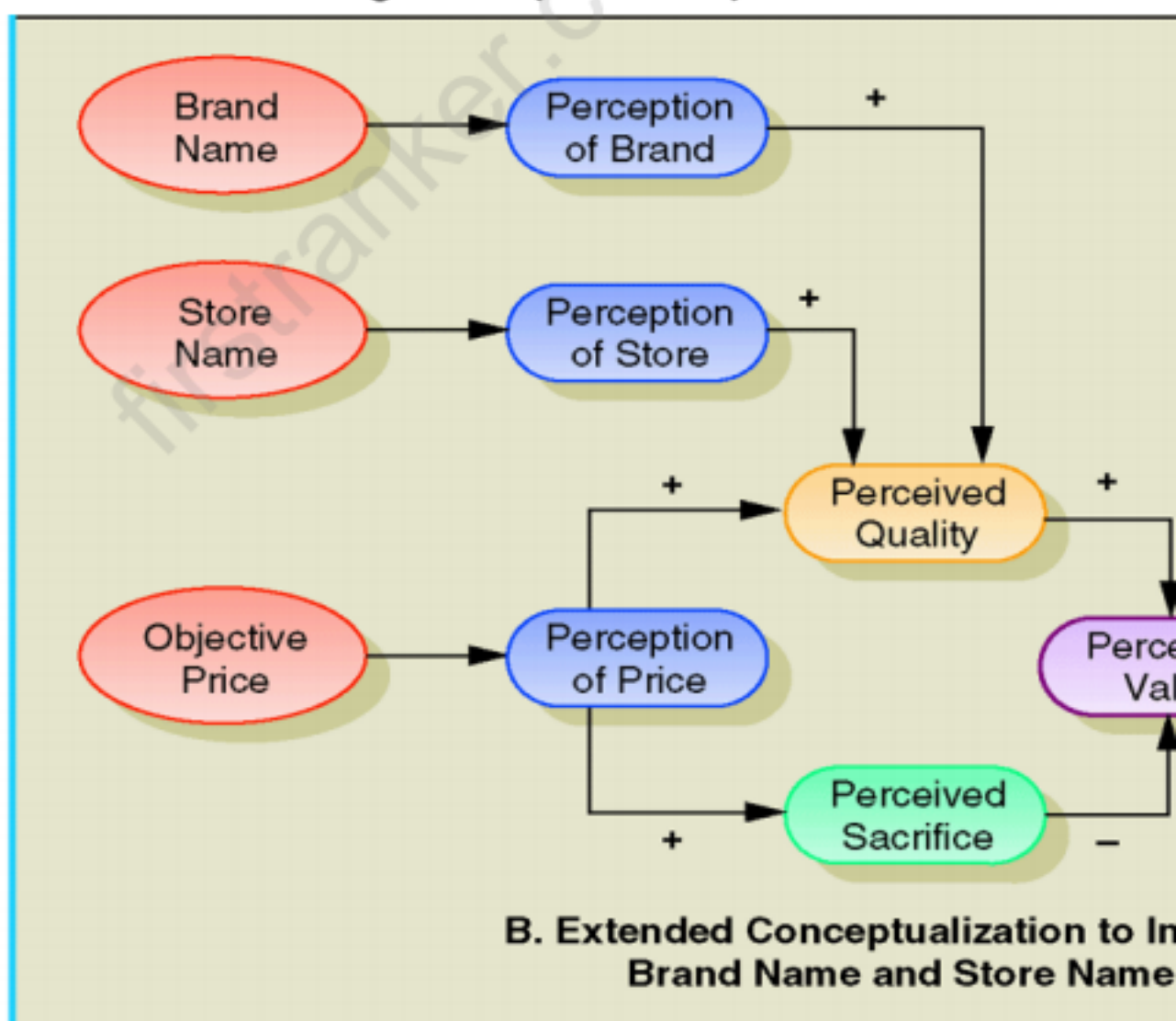
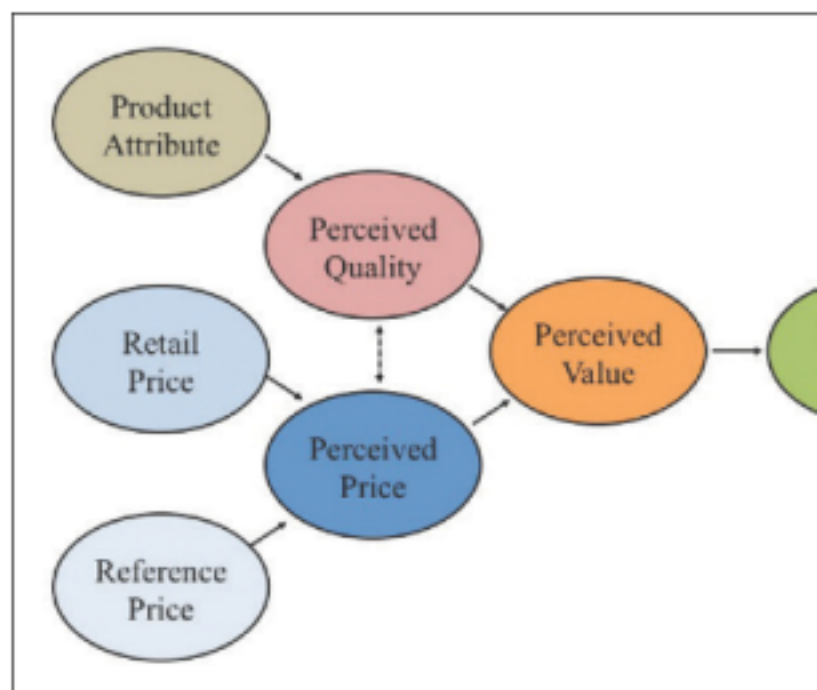


Figure 5-9 (continued)



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5. Perceived Risk

- The perceived risk varies depending on the situation and the culture. Some of the customer's perception of risk depends on the consumption situation.

Types of Perceived Risk:

- **Functional Risk:** Is the risk that product will not perform as expected.
- **Physical Risk:** Is the risk to self and others that the product may cause physical harm.
- **Financial Risk:** Is the risk that the product will not provide the expected financial benefit.
- **Social Risk:** Is the risk that a product choice will result in social disapproval or embarrassment.
- **Time Risk:** Is the risk that the time spent on the product will be wasted if the product does not perform as expected.



How consumers handle risk

- Consumers develop a self defensive weapon on unsatisfied needs.
- Consumers seeks information
- Consumers seek information through his friends and family people. They spend more time thinking and comparing the product when they associate a high degree of risk purchase.
- Consumers are brand loyal
- Consumers remain brand loyal in order to avoid risk
- Consumers select by brand image



How consumers handle risk

- When consumers have no experience with the product, they often think about the well-known brand to reduce the risk of the product.
- **Consumers rely on store image**
- If the consumers do not have any information about the product, they often buy from reputable stores and depend on the store's reputation.
- **Consumers buy the most expensive model**
- When in doubt the consumers feel that the most expensive model is the best in terms of quality and price.
- **Consumers seeking reassurance**
- Consumers who are uncertain about the product choice often seek reassurance through money back guarantees and warranty's or return policies.

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Definition of CRM

“CRM is concerned with the creation, development and enhancement of individualised customer relationships. It involves carefully targeted customers and groups resulting in maximizing customer life-time value” (2).



Why is CRM important

- “Today’s businesses compete with many product offerings created and delivered through networks, alliances and partnerships in many kinds. Both retaining customers and building relationships with other value-added allies is critical to corporate performance” (3).
- “The adoption of C.R.M. is being fuelled by recognition that long-term relationships with customers are one of the most important assets of an organisation” (2)



“Strategically significant cus

- “Customer relationship management focuses on strategically significant markets. Not all customers are equally important” (3).
- Therefore, relationships should be built with customers that are likely to provide value for services
- Building relationships with customers that will provide little value could result in a loss of time, staff and financial resources



Four types of CRM

Type of CRM	Dominant character
Strategic	Strategic CRM is a core customer relationship management strategy that aims at winning and retaining profitable customers.
Operational	Operational CRM focuses on the customer-facing processes such as marketing and customer service.
Analytical	Analytical CRM focuses on the customer-related data for strategic purposes.
Collaborative	Collaborative CRM applies technology to break down organizational boundaries with the company, partner and customer.



Operational CRM

- ▶ It is known as the Front office CRM
- ▶ **Customer TouchPoint**
 - ❑ Face to Face Touchpoint
 - ❑ Database Driven TouchPoint
 - ❑ Mass Media
- ▶ **Transactions that can take place**
 - ❑ Return of sale
 - ❑ Information Transaction
 - ❑ Complaint



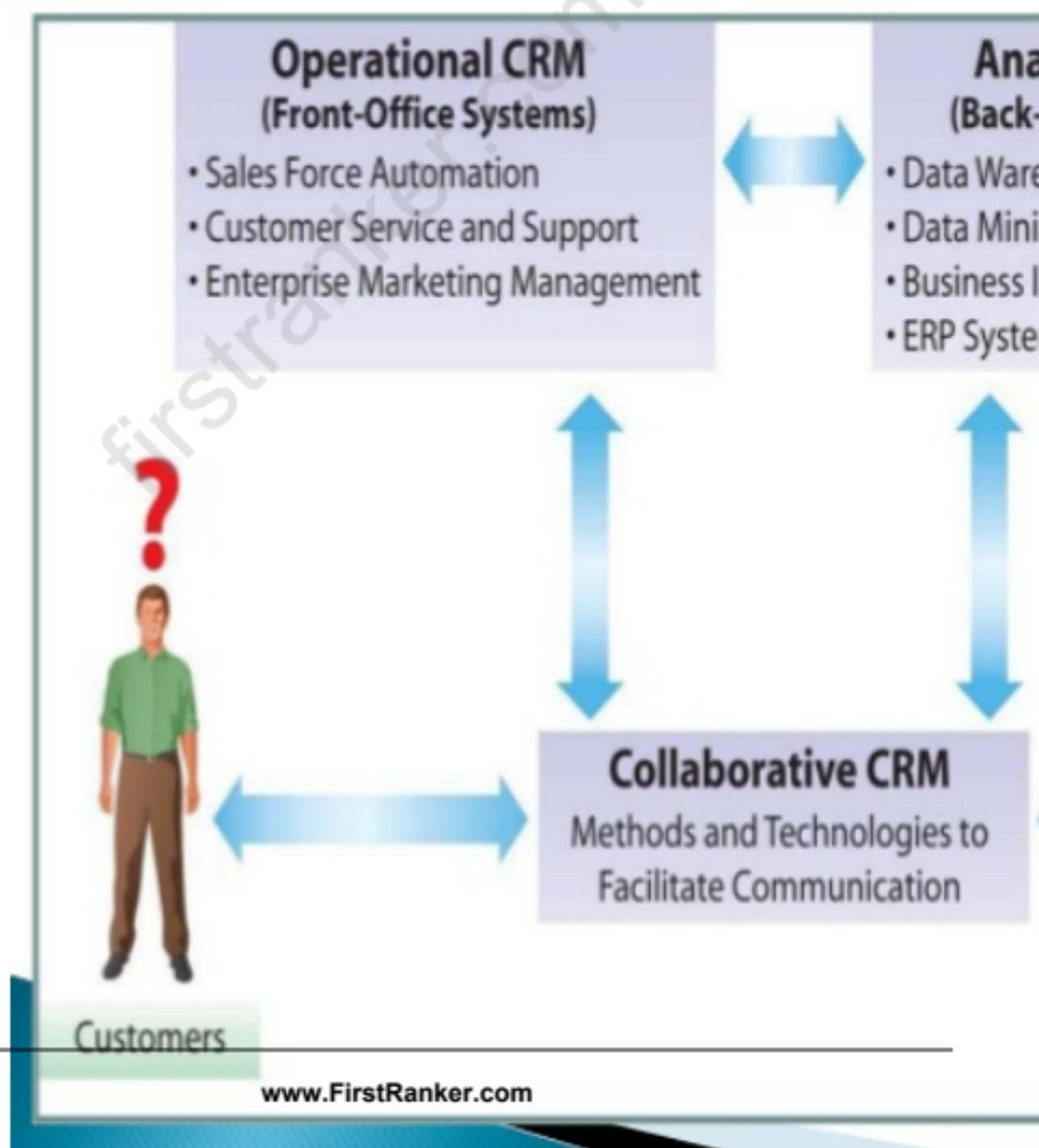
Analytical CRM

- ▶ It is known as the Back office CRM.
- ▶ It's the fusion of Data and Intelligence.
- ▶ The aim is to filter out the key information gathered and gain knowledge.
- ▶ Customers' buying behavior is Analytical CRM.



Collaborative CRM

- ▶ The approach in which various departments within a company such as sales, Technology, and marketing, share any information and collect from interactions with customers.
- ▶ The purpose of collaboration is to improve the quality of customer service, increase customer satisfaction, result, increase customer satisfaction, and loyalty.





CRM Strategies

- ▶ Customer Acquisition

Gain the greatest number of new customers as early in their “lifespan” as possible

- ▶ Customer Retention

Retain and expand your business with your customers

- ▶ Customer Loyalty

Offer programs to ensure that you have happy customers who buy what you offer only from you

E-CRM

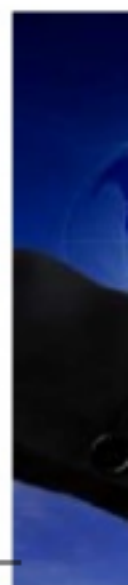




Electronic CRM (eCRM)

ECRM is the **customer focussed management** of the whole **eBusiness relationship** with each customer in order to **measure, create and increase customer loyalty, reduce costs** for each customer & segment and **generate greater positive lifetime value**.

Put simply, eCRM means CRM–database access via the Web. It means Intranet access for internal users, extranet access for business partners and customers and of course, Internet access for the market at large.





Electronic CRM (eCRM)

- ◆ e-CRM expands the traditional CRM techniques by integrating new e-business channels, such as Web, wireless technologies and combines it with applications into the overall enterprise strategy.

Traditional CRM + Internet = eCRM



Why eCRM?

- ▶ Due to the introduction of new technologies
- ▶ Due to globalization
- ▶ Changing customer attitudes and expectations
- ▶ To gain competitive advantage
- ▶ To measure, create and increase the value of the business
- ▶ To reduce costs

e-CRM System Architecture

Technical e-CRM Capabilities





DIFFERENCE BETWEEN

e-CRM

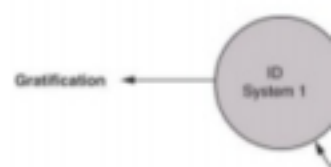
CRITERION	CRM
CUSTOMER CONTACTS	TRADITIONAL MEANS - RETAIL STORE, TELEPHONE OR FAX
SYSTEM INTERFACE	WORKS WITH BACKEND APPLICATION THROUGH ERP SYSTEM
SYSTEM	IT REQUIRES PC CLIENTS TO DOWNLOAD VARIOUS APPLETS AND APPLICATIONS.

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Freudian Theory

- **Id**
 - Warehouse of primitive or instinctual needs for which individual seeks immediate satisfaction
- **Superego**
 - Individual's internal expression of society's moral and ethical codes of conduct
- **Ego**
 - Individual's conscious control that balances the demands of the id and superego



Snack Foods and Personality

Table 5.1 (excerpt)

Snack Foods	Personality Traits
Potato chips	Ambitious, successful, high achiever, impulsive, more than the best.
Tortilla chips	Perfectionist, high expectations, punctual, detail oriented, responsible.
Pretzels	Lively, easily bored with same old routine, spontaneous, intuitive, may over commit to projects.
Snack crackers	Rational, logical, contemplative, shy, preoccupied.
Cheese curls	Conscientious, principled, proper, fair, methodical, but has great integrity, plans ahead, loves to plan.

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