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**MBA (Retail Mgmt) - IV Semester****Paper Code: MBRM 4001****Paper - XIV**

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**Retail Shoppers' Behaviour**

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**Objectives**

- To understand shoppers Behaviour
- To familiarize with Models & Theories of Consumer Behaviour, and
- To acquainted with Marketing Research Procedure.

**Unit - I**

Shopper Behaviour: Introduction, Concepts & Techniques for Understanding the retail dynamics of customer buying behaviour process.

**Unit - II**

Model of retail consumer behaviour, personal, social and cultural influences on the customer and understanding customer needs and motives.

**Unit - III**

Relevant theories of personality, perception and motivation, customer buying roles.

**Unit - IV**

Stages in retail buying decision process such as information search, alternative evaluation, brand choice, post purchase dissonance, brand loyalty and motivation.

**Unit - V**

Market research – A tool for understanding retails markets consumers, research prior to setting up a retail store & research after setting up a Retail Store.

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## UNIT - I

### Unit Structure

Lesson 1.1 - Retailing Shoppers

Lesson 1.2 - Retail Shopper Behaviour

Lesson 1.3 - Concepts and Techniques for Understanding Retail Shopper Behaviour

Lesson 1.4 - Customer Buying Behaviour Process

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### Lesson 1.1 - Retailing Shoppers

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### Learning Objectives

- Distinguish between consumer and buyer.
- Know the retailing shopper characteristics.
- Examine the factors influencing for growth of retail industry in India.
- Know the factors influencing the Retail shopper.
- Identify the driving forces for the growth of the retail sector.

### Introduction

One of the most important constants among all of us, despite our differences, is that above all we are consumers. We consume or use products/services on regular basis. As consumers, we play vital role in the health of the economy-local, national or international. Today, the era of digital revolution, which has introduced several drastic changes in to business environment.

This digital revolution of the market place and its impact on consumer behavior present many challenges for today's market place. This focuses on how individuals make decision to spend their available resources, time, money and efforts on consumption related items.

Consumer behavior signifies the totality of consumers' decisions with respect to the acquisition, consumption and disposition of goods, services, time and ideas by human decision making units. Clearly, consumer behavior frequently involves decisions within retailing contexts or with retail phenomena serving as boundary or framing conditions. Nevertheless, to say the importance of understanding consumer behavior has been more important to retailers than ever.

In particular, effective retail strategy satisfies consumer needs better than competitors' strategies and understanding consumer needs and buying behavior is critical, for effective retail decision-making as well as the subsequent development and implementation of retail strategy. To woo the consumers, the retail industry must understand the behavior of the consumers. But understanding consumer behavior is complex, as it is related to psychology of consumers and also depends on various factors which have a direct bearing on consumer behavior.

### **Consumer and Buyer**

"A consumer is an individual who buys products or services for personal use and not for resale. A consumer is someone who can make the decision whether or not to purchase an item at the store, and someone who can be influenced by marketing and advertisements. Any time someone goes to a store and purchases a toy, shirt, beverage, or anything else, they are making that decision as a consumer".

"A consumer is a person who uses a product or service, and is often called an "end user" because he is the last stop and does not usually transfer or sell the item to another party. A buyer can be a consumer, as in the example of a teenager buying and using a video game. At the same time, a consumer is not necessarily the buyer - for instance, if a mother purchases cereal for herself and her family, each family member is a consumer of the product".

### **Consumer**

**Consumer** is a broad label for any individuals or households that use goods generated within the economy. The concept of a consumer occurs in different contexts, so that the usage and significance of the term may vary. The "consumer" is the one who consumes the goods and services produced. As such, consumers play a vital role in the economic system of a nation because in the absence of the effective demand that emanates from them, the economy virtually collapses.

### ***Buyer***

Any person who buys a product/service, may not be necessarily user or consumer. On the other hand, “a buyer is a customer—he is an individual or business that makes a purchase from a seller. Regardless of the scenario, the buyer is the party that gives or transfers money to the seller to secure a product. A teenager getting a video game from a store at the mall is a buyer as is a distribution company that purchases raw materials from a manufacturer on credit”.

### **Consumer and Customer**

In common usage, we do not differentiate them. The customer is someone who regularly purchases from a particular store or a product of a particular company.

### ***Consumer***

A consumer is anyone who typically engages in any one or all of the activities in evaluating, acquiring, using or disposing of goods and services. This is a broad term for individuals that use products and services that are generated in the economy.

They are the ones who consume the products or services they have bought or were bought for them. They use these products based on what they have heard or seen and apply all the information where deciding whether they need the product or not.

### ***Customer***

Came from the term, “custom,” meaning habit or tradition. These are people or organizations who frequently visit your store, they purchase from you preferably. The owner or store keeper also makes sure that his/her customers are satisfied. In this way, owner and customer maintain their relationship, which means expected buys in the future. Today, this relationship is popularly called as Customers Relationship Management. With this term, another slogan for customers was revealed “the customer is always right.”

### **Difference between Consumer and Customer**

Consumers either buy or don't buy the products that they necessarily use while customers are people who buy some goods and services but may not use the merchandise themselves. Consumers have goals and purpose while buying items while customers buy these products and may not use them personally, they either buy them to resell or buy for

those who want them. Consumers pertain mostly to an individual or family while customers can be an individual, organization or another seller. Consumers play a role in the demand of products in the economy while customers can simply decide if this will go or not.

### **Retail Shopper Characteristics**

Since independence, Retail in India has evolved to support the unique needs of this country with many sizes and complexity. Organized retailing is not in existence in India till the 1990s, but the roots are traced in 1800s with the entry of the 'Spencer's' departmental store in South India in 1897. Today it has different sub divisions and hypermarkets and large retail stores.

India's retail sector, contributing in country's GDP for about 9-10%, and 8% of the total employment but still it is noticed that it remains one of the least developed sectors in India. The estimated annual retail sales accounts for about \$ 6 billion and is expected to reach \$ 17 billion dollar mark by the year 2010, according to a study done by the Associated Chambers of Commerce & Industry (ASSOCHAM).

According to the report, "Retail in India: Getting Organized to Drive Growth," by global consultant A.T. Kearney ranked India as 5th in Global Retail Development Index and 3rd in Confidence Index in retail business. And the CII, India's retail industry is growing with a 5% compounded annual growth rate (CAGR) and has \$ 320 billion in annual revenue. It is noticed that, Wal-Mart's \$ 315.6 billion in global sales last year is about the same size of the whole Indian retail industry.

Organized retail in India stands at around 3% out of the total retail market. It is showing signs of bigger and better growth of around 30% CAGR. The Indian consumer is turning into a convenience shopper and so retail formats are being driven to all-in-one format, which includes shopping, eateries and even entertainment like movies. According to some trend forecasts, organized retail in India has a very high potential.

The retailing business in India has witnessed huge growth due to emergence of Super markets as well as centrally air conditioned malls. Presently, there are 1500 super markets, 11025 departmental stores and 300 shopping malls having 45 million square feet area of retailing space. Although, Indian retail industry is 25 years lagging behind the USA, but it will take just five years to fight back the competition.

Lastly, Indian consumers today are more global with their thinking, which they have experienced with changing retail scenario.

*The world' top retailers are:.*

General (Overall)		
Sl.No.	Name of the Retailer	Revenue (in billion \$'s)
1.	Wal-Mart	\$256 billion
2.	Home Depot	\$73.1
3.	Kroger	\$56.4
4.	Costco	\$47.15
5	Target	\$46.8
Consumer Electronics & Entertainment		
1	Best Buy	\$24.5
2.	Circuit City	\$9.7
3.	RadioShack Corporation	\$4.8
4.	GameStop Corp/Electronics Boutique.	\$4.3
5.	Guitar Center Inc	\$1.69
Grocery		
1.	Kroger Co.	\$56.4
2.	Albertson's Inc.	\$41
3.	Safeway Inc.	\$37.76
4.	Supervalu Inc.	\$19.6
5.	Winn-Dixie	\$9.92
Home Improvement		
1.	Home Depot	\$73.1
2.	Lowe's Companies	\$36.5
3.	Buildings Materials Holding Corp	\$2.63
4.	Builders Firstsource	\$2.28
5.	Fastenal Co.	\$1.46

(Source: Business line, 2007)

### Top 5 Retailers (by revenue)

### Size of the Retail Sector

According to the figures from National Retail Federation, the retail sector in the United States employs more than 20 Million people - about 1 in 5 American workers. The annual registered sale for the year 2002 was around \$ 3.6 trillion. This gives an idea about



the size of the retail sector against the \$ 11.66 trillion US economy (according to World Bank figures). Most of the developed economies (US, UK, Canada, Germany, France, Italy and others) around the world have benefited enormously by liberalizing their retail sector.

### **Benefits to the Consumer**

Retailers provide important functions that increase the value of the products and services they sell to consumers and facilitate the distribution of those products and services for those who produce them.

Players of retail markets ensure high quality of products and better service to the consumers. Retailer's entry will provide number of alternatives to the consumer and better choice of pricing. To capture the market share big retailers are competing each other.

**Retail** consists of the sale of physical goods or merchandise from a fixed location, such as a department store, boutique or kiosk, or by mall, in small or individual lots for direct consumption by the purchaser.

Retailing may include facilitating services, such as delivery, discounts, consumer sales promotion. Purchasers may be individuals or businesses. In commerce, a "retailer" buys goods or products in large quantities from manufacturers or importers, either directly or through a wholesaler, and then sells smaller quantities to the end-user. Retail establishments are often called shops or stores.

Retailers are at the end of the supply chain. Manufacturing marketers see the process of retailing as a necessary part of their overall distribution strategy. The term "retailer" is also applied where a service provider services the needs of a large number of individuals, such as a public utility, like electric power.

Shops may be on residential streets, shopping streets with few or no houses or in a shopping mall. Shopping streets may be for pedestrians only. Sometimes a shopping street has a partial or full roof to protect customers from precipitation. Online retailing, a type of electronic commerce used for business-to-consumer (B2C) transactions and mail order, are forms of non-shop retailing.

Shopping generally refers to the act of buying products. Sometimes this is done to obtain necessities such as food and clothing; sometimes it is done as a recreational activity. Recreational shopping often involves window shopping (just looking, not buying) and browsing and does not always result in a purchase.

Industry experts predict that the next phase of growth in the retail sector will emerge from the rural markets. By 2015 the rural retail market is projected to have a total of more than 50 per cent market share. The total number of shopping malls is expected to expand at a compound annual growth rate of over 18.9 per cent by 2015. Recently, the government decided to allow 51 per cent FDI in single-brand retailing which, has been welcomed by the industry. However, most are of the view that its impact will be largely limited to attracting more luxury brands. The limited foreign direct investment allowed by the government in the retail industry will not have much impact on the Big Bazaars and Shopper's Stops but it will allow luxury brands like Marks & Spencer, Louis Vuitton or Versace - which are currently taking the franchisee route - to open more stores in the country.

### **Functions of Retailers**

*The following are the functions of Retailers:*

1. Providing a wide range of products and services.
2. Breaking bulk
3. Holding inventory.
4. Providing services
5. Providing financial assistance
6. Aftersales services
7. Sticks to guarantees and warranties

### **Factors Influencing for Growth of Retail Industry in India**

The following are the factors influencing the growth of retail industry in India:

1. Liberalization open up ways to enter MNCs by which Indian consumer is now exposed to wide range of alternatives in consumer markets.
2. Changing consumer buying behaviour from domestic brands to MNC brands. In durable segment Sony, LG are capturing highest market share.
3. Growing technology. In this context internet is the medium connecting people across the globe. Accessibility of the global markets and emerging trends influencing Indian consumer tremendously.
4. Growing Urbanization has led to higher customer density leading to the demand for retail stores. Urbanization is leading to consumerism.

5. Increased working woman population. In the wake of globalization, employment opportunities have increased substantially to woman also. As a result, with increased purchasing power among the woman, there is an urge to splurge.

India has topped at Kearney's annual Global Retail Development Index (GRDI) among 30 emerging markets for 2005, 2006 and 2007. A McKinsey Report on India says, organized retailing would increase the efficiency and productivity of entire gamut of activities, and would help in achieving higher GDP growth. The share of employment is expected to increase through retail sector.

At present employment of retail industry is low in India as compared with Brazil (14%) and Poland (12%). But there is a huge scope of emergence of new formats of retailing in Indian Retail Industry.

Another credible factor in the prospects of the retail sector in India is the increase in the young working population. In India, hefty pay packets, nuclear families in urban areas, along with increasing working-women population and emerging opportunities in the services sector. These key factors have been the growth drivers of the organized retail sector in India which now boast of retailing almost all the preferences of life - Apparel & Accessories, Appliances, Electronics, Cosmetics and Toiletries, Home & Office Products, Travel and Leisure and many more. With this the retail sector in India is witnessing rejuvenation as traditional markets make way for new formats such as departmental stores, hypermarkets, supermarkets and specialty stores.

From 3 Malls in the year 2000, to 25 operational malls in 2003, and 220 till 2007, which is expected will be 600 malls by the end of 2015. The retailing configuration in India is fast developing as shopping malls are increasingly becoming familiar in large cities. When it comes to development of retail space specially the malls, the Tier II cities are no longer behind in the race. If development plans till 2007 is studied it shows the projection of 220 shopping malls, with 139 malls in metros and the remaining 81 in the Tier II cities. The government of states like Delhi and National Capital Region (NCR) are very upbeat about permitting the use of land for commercial development thus increasing the availability of land for retail space; thus making NCR render to 50% of the malls in India.

India is being seen as a potential goldmine for retail investors from over the world and latest research has rated India as the top destination for retailers for an attractive emerging retail market. India's vast middle class and its almost untapped retail industry are key attractions for global retail giants wanting to enter newer markets. Even though India has well over 5 million retail outlets, the country sorely lacks anything that can resemble

a retailing industry in the modern sense of the term. This presents international retailing specialists with a great opportunity. The organized retail sector is expected to grow stronger than GDP growth in the next five years driven by changing lifestyles, burgeoning income and favorable demographic outline.

## Summary

Retailing is the new buzzword in India, which has been a key indicator of performance of the economy. During 1950s to 1990s, the Indian marketplace has transformed dramatically. The proportion of organized to unorganized retailing was wh 3:97 during 2004, stands now 9:91 in 2012. This indicates the popularity of the acceptance of the retail sector. India's multi-brand organized retail sector is less than 10 years old, but in less than a decade, i.e. with in 2020, it will be a \$1.3 trillion industry with the current market size estimated at \$500 billion, this translates into an additional \$800 billion in the next eight years, according to a latest report from industry chamber 1 = ICCI.

The retail industry is the largest industry in India, with an employment of around 8% and contributing to over 10% of the country's GDP. Retail industry in India is expected to rise 25% yearly being driven by strong income growth, changing lifestyles, and favorable demographic patterns. It is expected that by 2016 modern industry in India will be worth US\$ 175-200 billion. India retail industry is one of the fastest growing industries is increasing at a rate of 5% yearly.

A further increase of 7-8% is expected in the industry of retail in India by growth in consumerism in urban areas, rising incomes, and a steep rise in rural consumption. Retail, one of India's largest industries, has presently emerged as one of the most dynamic and fast paced industries of our times with several players entering the market. Retailing in India is gradually inching its way toward becoming the boom industry.

The whole concept of shopping has altered in terms of format and shopper buying behavior, ushering in a revolution in shopping in India. Modern retail has entered India as seen in sprawling shopping centers, multi-storied malls and huge complexes offer shopping, entertainment and food all under one roof. The Indian retailing sector is at an inflexion point where the growth of organized retailing and growth in the consumption by the Indian population is going to take a higher growth trajectory. The Indian population is witnessing a significant change in its demographics. A large young working population with median age of 24 years, nuclear families in urban areas, along with increasing workingwomen population and emerging opportunities in the services sector are going to be the key growth drivers of the organized retail sector in India.

### Self Assessment Questions

1. State the reasons for growth of retail industry in India.
2. Explain the retailer characteristics.
3. Distinguish between consumer and buyer.
4. What are the functions of retailers?
5. Explain retail in detail.

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## Lesson 1.2 - Retail Shopper Behavior

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*The purpose of a business is to create a customer.*

— *Peter Drucker*

### Learning Objectives

- Discuss definitions of consumer behavior.
- Know the factors influencing the Retail shopper behavior.
- Understand the Buyer Decision Process.
- Know the types of buying behavior.
- Examine Retail shopper behavior in adopting new products.

### Introduction

The existence of the customer is integral to the existence of the retailer. The behavior of the retail shopper is subject of the study across the world. Understanding the reasons behind consumers choosing or patronizing a store is important for the retailer. Understanding the needs of the consumer followed by the factors that affect the retail shopper decision making process is important for the growth of the retail industry.

The shoppers play a vital role in the health of the economy. The subject of shopper behavior has focused on individuals and the factors that impact their decisions to spend their resources on consumption-related items. The concepts and theories of shopper behavior have drawn upon diverse disciplines as psychology, sociology, social psychology, cultural anthropology, and economics.

Shopper behavior focuses on how individuals make decisions to spend their available resources on consumption-related items. Schiffman & Kanuk defined consumer behavior as behavior that consumers display in searching for, purchasing, using, evaluating, and disposing of products and services that they expect will satisfy their needs.

Marketers need to know not only the personal and group influences that affect shopper decisions but also to identify their target audiences, where and how to reach

them. The study of shopper behavior enables marketers to understand and predict shopper behavior in the marketplace. Shopper behavior has been concerned not only with what shoppers buy but also with why, when, where, and how they buy it. Shopper research was required to be done at every phase of the consumption process: before the purchasing, during the purchase, and after the purchase.

Shopper Behavior is the “study of individuals, groups or organizations and the process they use to select, secure, use and dispose of products, services, experiences or ideas to satisfy needs and the impacts that these processes have on the consumer and society.”

If this definition is divided into various components, in simple terms it connotes:

- Study of individuals, groups, or organizations
- The process to choose, secure, adopt, dispose off the products, services, experiences or ideas
- With an intention to satisfy their needs and also studying the impacts of these processes have on the buying behavior.

Consumer Behavior refers to the **actions and decision process** of people who purchase goods and services for personal consumption.

The term “Consumer” is used for both personal consumers and organizational consumers and represents two different kinds of consuming entities.

The **personal consumer** buys goods and services for her or his personal use (such as pen) or for household consumption (such as Sugar, furniture) or for just one member of the family (such as clothes) or a birthday present for a friend (such as a pen set). In all these instances the goods are **bought for final use, referred as “end users or Ultimate consumers”**.

The other category of consumer is the **Organizational consumer**, which includes profit and not for profit organizations.

- The consumer or buyer is the person or group of persons, who decide what to buy, when to buy and what not to buy.
- In a competitive environment, **a manufacturer cannot unilaterally thrust a product on consumer**. They have to produce what is demanded or what can be demanded. The marketing personnel **study consumer behavior to find out what can be sold**.



Retailing always emphasizes on acquiring ultimate consumers without which, there would be no retailing. There would be nobody to sell products to, and the retail outlet would collapse without sales. Attracting consumers and influencing them to buy retail products is a crucial role dimension of retail sales personnel or workers. Understanding consumer requirements is essential for retailers. But customers are human beings, and they cannot be easily understood. Their behavior is not very predictable or reliable. And there are considerable and serious deviations among them.

The only alternative is to make a very general and broad effort to predict their behavior, and organize sales elements based on such predictions. The organizing has to be highly flexible so that if the prediction is not very accurate, then quick changes can be made. Indian customers are quite different than the customers elsewhere and that is the reason why the retailer in India has to be very cautious in remodeling a format followed in different countries. Retailers' cannot just copy the format which is successful in the US or Europe.

### **Understanding Retail Shopper Behavior**

Retail shopper behaviour is that subset of human behaviour that is concerned with the decisions and acts of individuals in purchasing and using products of a manufacturer or purchasing from particular retailers. Buyer behaviour is concerned with the decisions that lead up to the purchase act. The person, who makes the buying decisions, may not be the one who actually makes the purchase or uses the product, is most important to marketers.

Understanding this person helps marketers develop marketing mixes and predict how targeted customers will respond to them. Marketing efforts must focus on consumer's needs and provide an answer to buyer's problems. A key to understand consumer's needs and problems lies in the study of Retail shopper behaviour. Knowledge of Retail shopper behaviour gives the marketer the information to increase the chance of success in the market place.

Retail shopper behaviour is the study of when, why, how, and where people do or do not buy product. It blends elements from psychology, sociology, social anthropology and economics. It attempts to understand the buyer decision making process, both individually and in groups. It studies characteristics of individual consumers such as demographics and behavioural variables in an attempt to understand people's wants.

Retail shopper behaviour is defined as *"the activities people engage in when selecting, purchasing and using products so as to satisfy needs and desires"*.



Customer is the central point and all the marketing activities revolve around him. Manufacturer makes what the customer wants. As the customer's buying behaviour differs from person to person the manufacturer must understand it. Manufacturer should identify the motives which prompt consumers to purchase so that he can offer a complete product satisfying their needs. It is buying motive that prompts the purchaser to purchase. Such buying motives may be desire for money, vanity, pride, fashion, passion, romance, affection or comfort. Retail shopper behaves in a particular manner as directed by his inner motive. The marketer has to study and analyze the consumer's behaviour in order to sell and improve the product.

Marketer must plan his production and distribution to suit the consumer's convenience rather his own. A company ignorant of Retail shopper preferences cannot possibly fulfill its obligations in a meaningful and responsible manner. This is exactly the reason why Retail shopper behaviour is given importance in modern marketing.

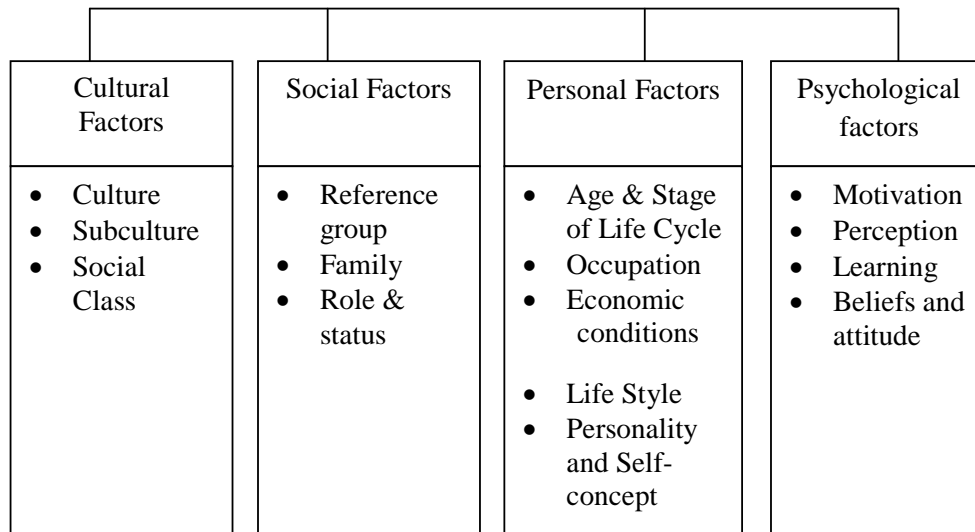
Retail shopper behaviour has been defined as actions of consumers in the market place and the underlying motives for those actions. Thus, it is a study of how individuals make decisions to spend their available resources on goods and services. It refers to the buying behaviour of ultimate consumers – individuals and households who buy goods and services for personal consumption. Retail shopper behaviour is an integral part of human behaviour and cannot be separated from it. It may be defined as that behaviour exhibited by people in planning, purchasing and using economic goods and services. Thus, Retail shopper behaviour is the process by which individuals decide whether, what, when, where, how and from whom to purchase goods and services. In the past, marketers could understand Retail shopper needs well by virtue of daily experience of selling to them. But, as firms and markets have grown in size, marketers have lost direct contact with their customers and now must turn to Retail shopper research. Each Retail shopper is unique and this uniqueness manifests itself in search, purchasing, consuming, reacting etc.

**Buyer/User:** The term buyer refers to one who buys a product. But, buyer may not be the user of the product. A boy buys bangles. Though the boy is the buyer, he is not the user of bangles; his sisters are users of bangles.

### **Factors influencing the Retail Shopper Behavior**

A buying decision goes through different stages, which are always influenced by behavioral forces. Culture, sub-culture and social class are very important in influencing shoppers behaviour. Buying behaviors covers the underlying influences and motives for purchase. It also tries to assess influences on the consumer from groups such as family,

friends, reference groups, and society in general. The factors like economic, cultural, technological and political factors influence the Retail shopper behaviour.



### **Retail shopper behavior**

#### **Cultural Factors**

Culture influences shoppers' behavior through the buying process. It is one of the fundamental determinants of shoppers' buying behavior.

#### **Culture**

The study of culture is the study of all aspects of a society – its language, knowledge, laws, customs – that give that society its distinctive character and personality. In the context of Retail shopper behaviour, culture is defined as the sum total of learned beliefs, values, and customs that serve to regulate the Retail shopper behaviour of members of a particular society. Beliefs and values are guides for Retail shopper behaviour; customs are usual and accepted ways of behaving.

The impact of culture on society is so natural and so ingrained that its influence on behaviour is rarely noted. However culture offers order, direction, and guidance to members of society in all phases of human problem solving. Culture is dynamic, and gradually and continually evolves to meet the needs of society.

Culture is learned as part of social experience. Children acquire from their environments a set of beliefs, values and customs that constitute culture. These are acquired through formal learning, informal learning, and technical learning. Advertising enhances formal learning by reinforcing desired modes of behaviour and expectations; it enhances informal learning by providing models for behaviour.

Culture is communicated to members of the society through a common language and through commonly shared symbols. Because the human mind has the ability to absorb and to process symbolic communications, marketers can successfully promote both tangible and intangible products and product concepts to consumers through mass media.

All the elements in the marketing mix serve to communicate symbolically with the audience. Products project images of their own; so does a promotion; price and retail outlet symbolically convey images concerning the quality of the product.

The elements of culture are transmitted by three pervasive social institutions: the family, the church, and the school. A fourth social institution that plays a major role in the transmission of culture is the mass media - both through editorial content and through advertising. Thus culture and values provide an effective basis for the segmenting Retail shopper markets.

### ***Sub-Culture***

Each culture consists of smaller sub-cultures that provide more specific identification and socialization for its members. This specifies shoppers' identification and specialization which includes nationalities, religions, racial groups and geographical regions. Many sub cultures make up important market segments and marketers often design product and marketing programmes tailored to their needs. They influence food preferences, clothing choices, recreation etc. The subculture makes it possible for a person who understands another culture with reference to his own subculture. These subcultures are used by the companies as the basis of segmentation.

### ***Social Class***

Social classes relatively are homogeneous and enduring divisions in society, and each division with similar values, interest and behavior. It is identified as relatively permanent and homogeneous group of people having certain identifiable characteristics. Social classes are relatively homogeneous and enduring divisions in a society, which are hierarchically ordered and whose members share similar values, interests and behavior (P.Kotler,). The marketer has to study the behavioral patterns of these classes so as to formulate his marketing strategy and promotional communication.

Social classes show distinct product and brand preferences due to different characteristics, which includes: (1) Persons of two different social classes tend to behave differently, (2) persons are perceived as occupying inferior or superior positions according

to their social class, (3) a person's social class is indicated by a number of variables as occupation, income, wealth, education rather than by any single variable, (4) individuals can move from one social class to another up or down, during his life time.

Almost every society has some form of social class of structure. Social classes show distinct product and brand preferences in the products like clothing, phone, furniture, leisure activity, cars etc. The buying pattern of a rich family will be totally different from that of a poor family. A status conscious person will visit a prestige store for making purchase, whereas an ordinary person to an economy store. Costly Retail shopper durables like vacuum cleaner, washing machine, dish washer, microwave oven are meant for the higher income groups who treat these things as status symbol.

### **Social Factors**

Shoppers' behavior is also influenced by social factors, which includes reference groups, family, roles and status.

#### ***Reference Group:***

A person's behaviour is influenced by many small groups. Groups which have a direct influence and to which a person belongs are called membership groups. Reference groups are groups that serve as direct or indirect points of comparison or reference in forming a person's attitudes or behaviour. People often are influenced by reference groups to which they do not belong. For instance, an aspirational group is one to which the individual wishes to belong, he identifies with the group, though there is no direct contact between him and the group. Marketers try to identify the reference groups of their target markets. Reference groups expose a person to new behaviors and life styles, they influence the person's attitude and self concepts because he wants to fit in the group. They also create pressures to conform that may affect the person's product and brand choice.

Consumer's reference groups are groups that serve as a frame of reference for individuals in their purchase decisions. The concept of Retail shopper reference groups has been broadened to include groups with which consumers have no direct face-to-face contact, such as celebrities, political figures and social classes.

#### ***Family***

The family is a major influence on the consumption behaviour of its members; it is also the prime target market for most products and product categories. As the most basic

membership group, families are defined as two or more persons related by blood, marriage, or adoption who reside together. There are three types of families: married couples, nuclear families, and extended families. The basic functions of the family are the provision of economic and emotional support, childhood socialization, and a suitable lifestyle for its members.

The members of a family assume specific roles and tasks in their everyday functioning; such roles or tasks extend to the realm of Retail shopper purchase decisions. Key consumer-related roles of family members include influencers, gatekeepers, deciders, buyers, preparers, users, maintainers, and disposers.

A family's decision-making style is often influenced by its social class, life-style, role orientation, and stage in the family life cycle, and by the product importance, perceived risk, and time constraints of the purchase itself.

The majority of Retail shopper studies classify family consumption decisions as husband-dominated, wife-dominated, joint, or automatic decisions. The extent and nature of husband/wife influence in family decisions are dependent on the specific product or service, the stage in the decision-making process and the specific product features under consideration.

Retail shopper socialization is an important component of the socialization process of children. It is the vehicle through which the family imparts consumer-relevant knowledge, attitudes, and skills. Children are not only influenced by their families they also influence their family consumption decisions.

### ***Roles and Status***

Shoppers' behavior is reflected by his/her role and status in different groups. Each role carries a status. A person belongs to many groups – family, clubs, organizations. The person's position in each group can be defined in terms of both role and status. With his parents, Prof. Rao plays the role of the son; in his family he plays the role of husband; in his university he plays the role of professor. A role consists of the activities people are expected to perform according to the persons around them.

Each role carries a status reflecting the general esteem given to it by society. For example, the role of university professor has more status in our society than the role of son. As a Professor, Dr. Rao will buy the kind of clothing that reflects his role and status.

## Personal Factors

Each retail shopper has distinctive personal factors like age, life cycle stage, occupation, economic conditions, life-style, personality & self-concept, which influence the Retail shopper behaviour as given under:

**Age and Life-Cycle Stage:** A person's age is important decider of the needs. Small children require milk powder, baby foods, toys, games, soft drinks and educational facilities. Young adults require trendy clothes, recreational facilities, transportation, etc.

**Occupation:** A person's occupation has a direct effect on his choice of goods and services. A clerk will purchase products which are economical and not burn his pocket. Whereas top executive will purchase expensive goods and services.

Marketers will have to identify which occupational group will be interested in their products and work out marketing strategies to communicate about their products and service to the relevant occupational group and induce a positive buying motive in the particular consumer.

**Income:** Income is a key factor which influences Retail shopper behaviour. The kinds of products purchased by the consumers depend on their income. Other things being equal, more the income more the purchase of the goods. People belong to different income groups. Thus the Retail shopper behavior varies with the income levels.

**Economic Conditions:** Shoppers' needs can be converted wants and demand on basis of economic circumstances, which includes income, saving, asset, borrowing power, etc., decide the economic capacity of the customer to buy a product. Thus, marketers use trends and patterns in the income, saving, etc., of the citizens to assess their capacity to buy the products.

**Life-Style:** This is because of lifestyles, the shoppers from the same sub-culture, social classes, and occupations behave differently in buying and consumption behaviour. It has been observed that customers coming from different cultures, sub-cultures, social classes, occupation's etc., bear different life-styles.

Life styles are identified by taking various activities, interests, opinions, and demographics (AIOD) into account as listed below:

- **Activities:** Work, Hobbies, Social Events, Vacations, Entertainment, Clubs, Community, Shopping, Sports.



- **Interests:** Family, Home, Job, Community, Recreation, Fashion, Food, Media, and Achievements.
- **Opinion:** Themselves, Social Issues, Politics, Business, Economics, Education, Products, Future and Culture.
- **Demographics:** Age, Education, Income, Occupation, Family Size, Dwelling, Geography, City Size, and Stage in life cycle.

The marketer should look at the AIOD framework for analyzing and looking at the marketing opportunities emerging out of it. For example, the marketer might find that those who are living in nuclear family with child age up to 10 years have activities mostly on work, shopping and sports, interests in family home and food, and have favourable opinion about themselves, products and future.

Such persons might be targeted by showing products that relate to their personal security, mental security (insurance cover with medical benefits) and products that enhance their home interiors.

**Personality and Self-Concept:** Each person has got a distinctive personality which will influence his buying behaviour. Personality may be defined as “the person’s distinguishing psychological characteristics that lead to relatively consistent and enduring responses to his own environment”.

Personality can be used to analyse Retail shopper behaviour because marketers have seen that there exists a correlation between personality types and product/brand choices. Some of the traits used to describe a person’s personality are: self-confidence, dominance, aggressiveness, defensiveness, achievement, deference, etc.

While personality, ‘self-concept’ is a related term. It refers to the person’s image of himself each person carries a self-image of himself/ and will purchase goods or services that match the self-image. If Mrs. Gita may see herself as a self confident, sociable and achievement oriented woman, she will favor the purchase of a ‘microwave oven’ the brand which will match her self-image. Thus, marketers have to develop and communicate brand images that will match the self-image of the target customers.

### Psychological Factors

The psychological factors like motivation, perception, learning, beliefs and attitude also influence Retail shopper behaviour. They are given as under:

### ***Motivation***

Motivation refers to the way a person is enthused to intensify his willingness to use his potentiality for the achievement of his objectives., “Motivation refers to the way in which urges, drives, desires, aspirations, strivings or needs direct, control or explain the behaviour of human beings”. Motivation has close relationship with the behaviour of human beings. It explains how and why the human behaviour is caused. Motivation may be defined as the complex of forces inspiring a person to intensify his willingness to use his capacities for the achievement of certain objectives. Motivation is something that motivates a person into action and continues him in the course of action. It determines the behaviour of a consumer.

### ***Perception***

Perception is the process by which individuals select, organize, and interpret stimuli into a meaningful and coherent picture of the world. It has strategy implications for marketers because consumers make decisions based on what they perceive, rather than on the basis of objective reality.

The interpretation of stimuli is highly subjective and is based on what the Retail shopper expects to see in light of previous experience, on the number of plausible explanations he can envision, on motives and interests at then time of perception, and on the clarity of the stimulus itself. Influences that tend to distort objective interpretation include physical appearances, stereotypes, halo effects, irrelevant cues, first impressions, and the tendency to jump to conclusions.

Products and brands also have images (i.e., symbolic meanings) for the consumer. The way a product is perceived (i.e., positioned) is probably more important to its ultimate success than are its actual physical characteristics. Products that are perceived favorably obviously have a better chance of being purchased. The brands that a Retail shopper considers in making a purchase choice in a particular product category are known as the evoked set.

### ***Learning***

When people act, they learn. Learning describes changes in an individual's behaviour arising from experience. Most human behaviour is learned. Learning theorists say that a person's learning is produced through the interplay of drives, stimuli, cues, responses and reinforcement. Retail shopper learning is the process by which individuals acquire



the purchase and consumption knowledge and experience they apply to future related behaviour.

While some learning is intentional, much learning appears to be incidental. Basic elements that contribute to an understanding of learning are motivation, cues, response, and reinforcement. Motivation acts as a stimulus to learning. Cues give direction to motives and help consumers fulfil their needs in product-specific ways. An individual's response to a drive or stimulus (cue) often depends on previous learning, which in turn is often the result of the type and degree of reinforcement received. Reinforcement increases the likelihood that a specific response will occur in the future as the result of particular cues.

### ***Beliefs and Attitude***

Through learning, people acquire certain beliefs and attitudes and in turn this influences their buying behaviour.

A belief is a thought that a person holds about something. People act based on their beliefs. These beliefs help in building up product and brand images. An attitude can be said to be "person enduring favorable or unfavorable cognitive evaluation, emotional feelings, and action tendencies towards some object or idea."

Attitudes make people to behave in a fairly consistent way towards similar objects. People do not interpret and react to everything in a fresh way. A person's various attitudes settle into a coherent pattern and to change, one may require difficult adjustment in many other attitudes. Thus the marketer should try to link his products into existing attitudes rather than trying to change people's attitudes.

### **Customer Buying Behavior Patterns in Retail Shops**

*"To buy is to purchase. To shop is to visit business establishments for inspection or purchase of goods. Therefore shopping is an element of customer behavior in buying. A customer placing an order over the telephone is buying, not shopping".*

For this reason it may be desirable to standardize on the use of the term *buying* rather than *shopping* when the totality of customer behavior is under consideration. Similarly a distinction should be made between *buying habits* and *buying behavior patterns*. Habit is a tendency toward an action which by repetition has become spontaneous. A pattern is a design or type. Each customer has his or her own buying habits. Buying behavior patterns represent the design of behavior of a large number of customers. A run on stores to buy and

hoard sugar, nylon stockings or toilet paper—in response to a shortage scare or to proposed rationing—is not a buying habit; it is a manifestation of the imperfections in our education, in our faith, and perhaps even in our frequently exalted way of life. To the retailer, such panicky customer behavior is very annoying. Customer buying habits or behavior patterns are not permanently fixed, and certainly not sacred, even though some habits tenaciously resist change. Many factors are operating in combination to change customer food-buying behavior patterns. Among these are the automobile, the super market and self-service, the progress in the development and merchandising of frozen foods, prepared flour mixes, brown-and-serve baked goods and concentrated fresh milk; the increasing availability of suitable facilities in the customer's home for preserving these and other highly perishable raw and prepared foods; and the public's receptive disposition to easier and less time-consuming ways of living. Similar and perhaps even more pronounced changes are affecting customer buying behavior patterns of non-food commodities.

Customer buying behavior patterns can be grouped in relation to:

1. Place of Purchase
2. Items Purchased
3. Time and Frequency of Purchase
4. Method of Purchase
5. Response to Sales Promotion Devices

## Summary

Customer is the central point and all the marketing activities revolve around him. He takes different roles in the different situations such as buyer, consumer and customer. Manufacturer makes what the customer wants. As the customer's buying behavior differs from person to person the manufacturer must understand it. Manufacturer should identify the motives which prompt consumers to purchase so that he can offer a complete product satisfying their needs. It is buying motive that prompts the purchaser to purchase. Such buying motives may be desire for money, vanity, pride, fashion, passion, romance, affection or comfort. Retail shopper behaves in a particular manner as directed by his inner motive. The marketer is to study and analyze the consumer's behaviour in order to sell and improve the product. The retail shopper behavior is influenced by such factors as economic factors, personal factors, cultural and social factors. The recent times have seen increasing activity in retailing. Though the retailers will have to face increasingly demanding customers and intensely competitive rivals, more investments will keep flowing in and the share of organized sector will grow rapidly. Consumer durables industrial sector is poised for a quantum leap

due to technological improvements, falling prices due to competition, aggressive marketing and declining import tariffs. The saying, “the only thing that is constant is change” is very relevant in the retail industry. Consumer and consumer preferences used to change slowly, providing retailers an opportunity to spend time analyzing the implications to their business, allowing them to make well-informed decisions. However, today, as in life, change in consumer preference happens rapidly. This has forced retailers to become more observant and better prepared to make strategic decisions.

### **Self Assessment Questions**

- 1) Why is an understanding of the retail shopper buying decision process important to marketers?
- 2) Explain the nature of retail shopper behavior.
- 3) What are the factors influencing retail shopper behavior?
- 4) What are the factors

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## Lesson 1.3 - Concepts and Techniques for Understanding Retail Shopper Behaviour

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### Learning Objectives

- Examine the concepts and techniques involved in understanding retailer shopping behavior.
- Know about motivation research.
- Discuss the influences on consumer behavior.

### Introduction

It is important to study the needs and buying behaviour of shoppers and the stages they go through to purchase merchandise and the factors that influence buying process. The retail stores have to understand consumer behavior through tools, techniques, and concepts to influence his purchasing behavior. Without the techniques understanding the retail shopper behavior is complex. The appropriate understanding of retail shopper needs helps the retailer to create a product that is likely to be successful in the market. Understanding of the retail shopper behaviour is the starting point for retail strategy formulation. The retailer needs to study retail shoppers to evaluate how its product or perceived by the shoppers.

In fact, the retailers should know the various influences that lead up to a purchase decision by the shoppers not just the store where the shoppers buy; the retailer should also know the various external and internal influences of retailer shopping behavior.

1. Understanding how the need for a product/service was determined;
2. Understanding how information was sought by the retail shopper;
3. The process of evaluation of various products and retail stores;
4. The payment process; and
5. The post purchase behavior

In fact understanding retail shopper behavior completely and thoroughly may not be possible in all situations. However, it is in the best interest of the retailer to know

his shoppers. The earliest attempts to study consumer behavior centered on motivation research, which relied heavily on Freudian techniques. Consumers can be studied in a variety of ways, including through observation, electronic surveillance, interviews and surveys, experimentation and sales analysis or consumption research.

Earlier researchers gave little thought to the impact of mood, emotion, or situations of consumer decisions, but today this is motivational research, which is giving more emphasis taking all these in studying the shoppers' behaviour. Motivational research is qualitative research designed to develop shoppers' level of conscious awareness. Despite some shortcomings, marketing research has proved to be great value to marketers with developing new ideas and appeals. Motivation research refers to investigate the psychological reasons why individuals buy specific types of merchandise, or why they respond to specific advertising appeals, to determine the base of brand choices and product preferences.

Motivational research is a type of marketing research that attempts to explain why consumers behave as they do. Motivational research seeks to discover and comprehend what consumers do not fully understand about themselves. Implicitly, motivational research assumes the existence of underlying or unconscious motives that influence consumer behavior. Motivational research attempts to identify forces and influences that consumers may not be aware of (e.g., cultural factors, sociological forces). Typically, these unconscious motives (or beyond-awareness reasons) are intertwined with and complicated by conscious motives, cultural biases, economic variables, and fashion trends (broadly defined). Motivational research attempts to sift through all of these influences and factors to unravel the mystery of consumer behavior as it relates to a specific product or service, so that the marketer better understands the target audience and how to influence that audience.

Motivational research is most valuable when powerful underlying motives are suspected of exerting influence upon consumer behavior. Products and services that relate, or might relate, to attraction of the opposite sex, to personal adornment, to status or self-esteem, to power, to death, to fears, or to social taboos are all likely candidates for motivational research. For example, why do women tend to increase their expenditures on clothing and personal adornment products as they approach the age of 50 to 55? The reasons relate to the loss of youth's beauty and the loss of fertility, and to related fears of losing their husbands' love. It is also a time of life when discretionary incomes are rising (the children are leaving the nest). Other motives are at work as well (women are complicated creatures), but a standard marketing research survey would never reveal these motives, because most women are not really aware of why their interest in expensive adornments increases at this particular point in their lives.

Even benign, or low-involvement, product categories can often benefit from the insights provided by motivational research. Typically, in low-involvement product categories, perception variables and cultural influences are most important. Our culture is a system of rules and “regulations” that simplify and optimize our existence. Cultural rules govern how we squeeze a tube of toothpaste, how we open packages, how we use a bath towel, who does what work, etc. Most of us are relatively unaware of these cultural rules. Understanding how these cultural rules influence a particular product can be extremely valuable information for the marketer.

### **The Major Techniques**

The major motivational research techniques are observation, focus groups, and depth interviews. Observation can be a fruitful method of deriving hypotheses about human motives. Anthropologists have pioneered the development of this technique. All of us are familiar with anthropologists living with the “natives” to understand their behavior. This same systematic observation can produce equally insightful results about consumer behavior.

#### ***Observation***

Observation can be accomplished in-person or sometimes through the convenience of video. Usually, personal observation is simply too expensive, and most consumers do not want an anthropologist living in their household for a month or two. It is easier to observe consumers in buying situations than in their homes, and here the observation can be in-person or by video cameras. Generally, video cameras are less intrusive than an in-person observer. Finding a representative set of cooperative stores, however, is not an easy task, and the installation and maintenance of video cameras is not without its difficulties.

In-store observers can be used as well, so long as they have some “cover” that makes their presence less obvious. But, observation by video or human eye cannot answer every question. Generally, observation must be supplemented by focus groups or depth interviews to fully understand why consumers are doing what they do.

#### ***Electronic Surveillance***

Electronic surveillance is the use of technology to eavesdrop on someone, often without the person knowing what is happening. There are three primary electronic surveillance techniques: videotaping, photography, and audio recording. Electronic surveillance is used in the United States by officials, businesses, and homeowners for

numerous reasons, including photographing speeding vehicles, monitoring shoppers, and recording illegal activities. Both federal and state governments have created laws that protect a person's right to privacy, thereby regulating the use of all electronic surveillance methods and means.

Millions of people are videotaped daily — convenience stores, shopping malls, parking lots, highways, and sidewalks could be monitored by video cameras. Protection of property typically is the main reason video cameras are used for monitoring. Countless dollars are saved each year by the deterrence of shoplifting, vehicle theft, and vandalism due to the general public knowing that security cameras are in place and are being monitored.

The Department of Transportation (DOT) in some states uses cameras to photograph license plates of drivers who speed or run stoplights. DOT can also use the cameras to help monitor traffic congestion. Some highways have surveillance to help keep an eye on areas that are known to have a high number of accidents. Subsequently, emergency personnel can be dispatched immediately to the scene to provide help to drivers and accident victims.

### ***Consumer Surveys***

The most successful companies in the world rely on **consumer surveys** to assess their particular market and the attitude of its consumers. Making assumptions about your market is simply not enough. Failing to have quantitative research to back up marketing strategies can be costly. One must be able to present one's product, service or brand in ways that will be acceptable to the target. That is why regularly conducting consumer surveys is critical to business success.

### ***Consumer surveys can tell you:***

- The demographics of target audience, including: age, gender, income, marital status, educational level and leisure activities
- Why people make certain purchasing decisions
- When and where people shop
- If people have a need for a product or service
- If there is an untapped market for the product or service
- Current awareness of one's brand versus one's competitors'
- People's buying habits



Consumer surveys will yield sound and valid conclusions while achieving the maximum survey response rate possible

### ***Experimentation***

An **experiment** is a methodical trial and error procedure carried out with the goal of verifying, falsifying, or establishing the validity of a hypothesis. Experiments provide insight into cause-and-effect by demonstrating what outcome occurs when a particular factor is manipulated. Experiments vary greatly in their goal and scale, but always rely on repeatable procedure and logical analysis of the results.

In the scientific method, an **experiment** is an empirical method that arbitrates between competing models or hypothesis. Experimentation is also used to test existing theories or new hypotheses in order to support them or disprove them.

An experiment usually tests a hypothesis, which is an expectation about how a particular process or phenomenon works. However, an experiment may also aim to answer a question, without a specific expectation about what the experiment will reveal, or test previous results to replicate results. If an experiment is carefully conducted, the results usually either support or disprove the hypothesis. According to some Philosophies of science, an experiment can never “prove” a hypothesis, it can only add support. Similarly, an experiment that provides a counterexample can disprove a theory or hypothesis. An experiment must also control the possible confounding factors - any factors that would mar the accuracy or repeatability of the experiment or the ability to interpret the results. Confounding is commonly eliminated through scientific control and/or, in randomized experiments, through random assignment.

In engineering and other physical sciences, experiments are a primary component of the scientific method. They are used to test theories and hypotheses about how physical processes work under particular conditions (e.g., whether a particular engineering process can produce a desired chemical compound). Typically, experiments in these fields will focus on replication of identical procedures in hopes of producing identical results in each replication. Random assignment is uncommon.

In medicine and the social sciences, the prevalence of experimental research varies widely across disciplines. When used, however, experiments typically follow the form of the clinical trial, where experimental units (usually individual human beings) are randomly assigned to a treatment or control condition where one or more outcomes are assessed. In contrast to norms in the physical sciences, the focus is typically on the average treatment



effect (the difference in outcomes between the treatment and control groups) or another test statistic produced by the experiment. A single study will typically not involve replications of the experiment, but separate studies may be aggregated through systematic review and meta-analysis.

These differences between experimental practice in each of the branches of science have exceptions. For example, agricultural research frequently uses randomized experiments (e.g., to test the comparative effectiveness of different fertilizers). Similarly, experimental economics often involves experimental tests of theorized human behaviors without relying on random assignment of individuals to treatment and control conditions.

### ***Types of Experiment***

Experiments might be categorized according to a number of dimensions, depending upon professional norms and standards in different fields of study. In some disciplines (e.g., Psychology or Political Sciences), a 'true experiment' is a method of social research in which there are two kinds of variables. The independent variable is manipulated by the experimenter, and the dependent variable is measured. The signifying characteristic of a true experiment is that it randomly allocates the subjects in order to neutralize the potential for experimenter bias and ensures, over a large number of iterations of the experiment, that all confounding factors are controlled for

### ***Sales Analysis***

To provide accurate management information relating to sales activity in order to improve sales profitability and provide facilities for sales forecasting and planning at customer and product class levels.

- Identifies the most profitable customers.
- Knows which products are selling
- Analyses market trends and geographic buying patterns
- Knows the profit generated by each product
- Knows which divisions of business are selling
- Identifies which sales people are performing
- Business graphics instantly display sales performance for presentations and reports.
- Improves sales forecasting
- Measures actual performance against quantity or revenue forecasts

- Analyses tax collections.
- Sets targets against customers and / or products.
- Compares against budgets per product group and / or sales person.
- Preview of reports to screen and e-mail capabilities.

### ***The Focus Group***

The focus group in the hands of a skilled moderator can be a valuable motivational research technique. To reach its full motivational potential, the group interview must be largely nondirective in style, and the group must achieve spontaneous interaction. It is the mutual reinforcement within the group (the group excitement and spontaneity) that produces the revelations and behaviors that reveal underlying motives. A focus group discussion dominated by the moderator will rarely produce any motivational insights. A focus group actively led by the moderator with much direct questioning of respondents will seldom yield motivational understanding. But the focus group is a legitimate motivational technique.

### ***The Depth Interview***

The heart and soul of motivational research is the *depth* interview, a lengthy (one to two hours), one-on-one, personal interview, conducted directly by the motivational researcher. Much of the power of the depth interview is dependent upon the insight, sensitivity, and skill of the motivational researcher. The interviewing task cannot be delegated to traditional marketing research interviewers—who have no training in motivational techniques.

During the personal interview, the motivational researcher strives to create an empathic relationship with each respondent, a feeling of rapport, mutual trust, and understanding. The researcher creates a climate in which the respondent feels free to express his feelings and his thoughts, without fear of embarrassment or rejection. The researcher conveys a feeling that the respondent and his opinions are important and worthwhile, no matter what those opinions are. The motivational researcher is accepting, nonthreatening, and supportive. The emotional empathy between motivational researcher and respondent is the single most important determinant of an effective interview.

The motivational researcher relies heavily upon nondirective interviewing techniques. Here goal is to get the respondent to talk, and keep talking. The researcher tends to introduce general topics, rather than ask direct questions. She probes by raising her eyebrows, by a questioning look upon her face, by paraphrasing what the respondent has

said, or by reflecting the respondent's own words back to the respondent in a questioning tone. Nondirective techniques are the least threatening (and the least biasing) to the respondent.

Projective techniques can play an important role in motivational research. Sometimes a respondent can see in others what he cannot see—or will not admit—about himself. The motivational researcher often asks the respondent to tell a story, play a role, draw a picture, complete a sentence, or associate words with a stimulus. Photographs, product samples, packages, and advertisements can also be used as stimuli to evoke additional feelings, imagery, and comment.

During the interview, the researcher watches for clues that might indicate that a “sensitive nerve” has been touched. Long pauses by the respondent, slips of the tongue, fidgeting, variations in voice pitch, strong emotions, facial expressions, eye movements, avoidance of a question, fixation on an issue, and body language are some of the clues the motivational researcher keys on. These “sensitive” topics and issues are then the focus of additional inquiry and exploration later in the interview.

Each interview is tape-recorded and transcribed. A typical motivational study, consisting of 30 to 50 depth interviews, yields 1,000 to 2,000 pages of typed verbatim dialogue. During the interview, the motivational researcher makes notes about the respondent's behavior, mannerisms, physical appearance, personality characteristics, and nonverbal communication. These notes become a road map to help the researcher understand and interpret the verbatim transcript of the interview.

### ***The Analysis***

The motivational researcher reads and rereads the hundreds of pages of verbatim respondent dialogue. As he reads, the researcher looks for systematic patterns of response. He identifies logical inconsistencies or apparent contradictions. He compares direct responses against projective responses. He notes the consistent use of unusual words or phrases. He studies the explicit content of the interview and contemplates its meaning in relation to the implicit content. He searches for what is not said as diligently as she does for what is said. Like a detective, he sifts through the clues and the evidence to deduce the forces and motives influencing consumer behavior. No one clue or piece of evidence is treated as being very important. It is the convergence of evidence and facts that leads to significant conclusions. In the scientific tradition, empiricism and logic must come together and make sense.

The analysis begins at the cultural level. Cultural values and influences are the ocean in which we all swim and, of which, most of us are completely unaware. What we eat, the way we eat, how we dress, what we think and feel, and the language we speak are dimensions of our culture. These taken-for-granted cultural dimensions are the basic building blocks that begin the motivational researcher's analysis. The culture is the context that must be understood before the behavior of individuals within the context can be understood. Every product has cultural values and rules that influence its perception and its usage.

Once the cultural context is reasonably well understood, the next analytic step is the exploration of the unique motivations that relate to the product category. What psychological needs does the product fulfill? Does the product have any social overtones or anthropological significance? Does the product relate to one's status aspirations, to competitive drives, to feelings of self-esteem, to security needs? Are masochistic motives involved? Does the product have deep symbolic significance? And so on. Some of these motives must be inferred since respondents are often unaware of why they do what they do. But the analysis is not complete.

The last major dimension that must be understood is the business environment, including competitive forces, brand perceptions and images, relative market shares, the role of advertising in the category, and trends in the marketplace. Only part of this business environment knowledge can come from the respondent, of course, but understanding the business context is crucial to the interpretation of consumer motives in a way that will lead to useful results. Understanding the consumer's motives is worthless unless somehow that knowledge can be translated into actionable marketing and advertising recommendations.

Sometimes a motivational study is followed by quantitative surveys to confirm the motivational hypotheses as well as to measure the relative extent of those motives in the general population. But many times motivational studies cannot be proved or disproved by survey research, especially when completely unconscious motives are involved. In these cases, the final evaluation of the hypothesized motives is by the testing of concepts (or advertising alternatives) that address the different motives, or by other types of contrived experiments.

One final note is relevant to the successful conduct of motivational research. It is critically important that the motivational researcher not be overly theoretical. An eclectic, wide ranging, and open-minded philosophical perspective is best. The researcher should not formulate any "cast in stone" hypotheses before she conducts the motivational study. Strongly held hypotheses, or rigid adherence to theory, will doom a motivational study to failure. Too often we see what we set out to see, or find that for which we

search, whether it exists or not. An objective, open, unfettered mind is the motivational researcher's greatest asset.

The retailers should examine the environmental influences like demographic, social, economic and cultural factors influence on retail shopper behavior and also individual factors like personality, perception, attitude, beliefs and motivation. The environmental factors and individual factors have profound influence on consumer behavior. To understand the consumer behavior the retailer has to understand the environmental and individual factor influences on retailer shopper behavior.

### **Summary**

The retailer has to understand some key facts about how consumers buy and the various influences on them. The key to understanding retail shopper behavior lies in understanding the influence of environmental factors like demographic, socio-cultural factors, and the influences of personal factors like attitude, perception, personality, beliefs, motivation etc. on buying behavior. The retail can be successful in selling his goods and services when he understands properly the retailer shopper behavior through various concepts and techniques like motivation research, observation, electronic surveillance, interviews and surveys, experimentation and sales analysis or consumption research. Motivational research is a type of marketing research that attempts to explain why consumers behave as they do. Motivational research seeks to discover and comprehend what consumers do not fully understand about themselves. Implicitly, motivational research assumes the existence of underlying or unconscious motives that influence consumer behavior.

### **Self Assessment Questions**

1. Examine the concepts and techniques involved in understanding retailer shopping behavior.
2. What is motivation research?
3. What are the influences on consumer behavior?

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## Lesson 1.4 - Customer Buying Behavior Process

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### Learning Objectives

- Know the high involvement and low involvement buying situations.
- Examine consumer behavior buying process.
- Understand the consumer adoption process of new products.

### Introduction

A buyer, or consumer, or customer is the final point of distribution. Where it is direct marketing or marketing through channels, ultimate buyer is the end point. Without customers or consumers, there would be no retailing. There would be nobody to sell products to, and the retail outlet would collapse without sales. Attracting consumers and influencing them to buy retail products is a crucial role dimension of retail sales personnel or workers.

Understanding consumers is essential for retailers. But customers are human beings, and they cannot be easily understood. Their behavior is not very predictable or reliable.

Further more, there are considerable and serious deviations among them. Indian customers are quite different from the customers elsewhere and that is the reason why the retailer in India has to be very cautious in remodeling a format followed in different countries.

Most firms research the buying decision made by customers on their products. The research includes their brand beliefs, how involved they are, how they came to know about the products or brand, and their satisfaction on or after purchase. This enables the firm to prepare it for different customers and different products.

### Definition of Buying Behavior

A shopper during buying is engaged with both 'decision process and physical activities'. During his decision making, spontaneously he is engaged with some physical activities, which lastly makes a situation of exchange.

### Need to Understand

- Why consumers make the purchases that they make?
- What factors influence consumer purchases?
- The changing factors in our society.

Consumer Buying Behavior refers to the buying behavior of the ultimate consumer. A firm needs to analyze buying behavior for:

- Buyers' reactions to a firm's marketing strategy has a great impact on the firm's success.
- The marketing concept stresses that a firm should create a Marketing Mix (MM) that satisfies (gives utility to) customers, therefore need to analyze the what, where, when and how consumers buy.

### Types of Consumer Buying Behavior

Types of consumer buying behavior are determined by:

- Level of Involvement in purchase decision. Importance and intensity of interest in a product in a particular situation.
- Buyer's level of involvement determines why he/she is motivated to seek information about a certain product and brands but virtually ignores others.

**High involvement purchases** - Motorbike, high priced goods, products visible to others, and the higher the risk the higher the involvement. Types of risk:

- Personal risk
- Social risk
- Economic risk

*The four types of consumer buying behavior are:*

- Routine Response/Programmed Behavior—buying low involvement frequently purchased low cost items; need very little search and decision effort; purchased almost automatically. Examples include soft drinks, snack foods, milk etc.



- Limited Decision Making—buying product occasionally. When one needs to obtain information about unfamiliar brand in a familiar product category, perhaps. Requires a moderate amount of time for information gathering. Examples include Clothes—know product class but not the brand.
- Extensive Decision Making/Complex high involvement, unfamiliar, expensive and/or infrequently bought products. High degree of economic/ performance/ psychological risk. Examples include cars, homes, computers, education. Spend a lot of time seeking information and deciding.
- Information from the companies MM; friends and relatives, store personnel etc. Go through all six stages of the buying process.
- Impulse buying, no conscious planning.

The purchase of the same product does not always elicit the same Buying Behavior. Product can shift from one category to the next.

### ***For Example***

Going out for dinner for one person may be extensive decision making (for someone that does not go out often at all), but limited decision making for someone else. The occasion for the dinner, whether it is an anniversary celebration, or a meal with a couple of friends will also determine the extent of the decision making.

### **High Involvement and Low involvement Buying Situations**

**High involvement products (HIP)** - products for which the buyer is prepared to spend considerable time and effort in searching.

**Low involvement products (LIP)** - Products which are bought frequently and with a minimum of thought and effort because they are not of vital concern nor have any great impact on the consumer's lifestyle.

Given this, all impulse buys would be low involvement.

The involvement level for a product can change due to circumstances. The initial choice of a shampoo for a woman would be high involvement, but once they make the choice to buy that brand, any repurchases of that brand would be low involvement.



But if she changes her hair style or color such that the current shampoo does not work any longer, buying shampoo could then become a high involvement decision again until she settles on a new brand which she likes and repurchases.

They argue that the decision cycle for both types of products is exactly the same, it just happens faster for LIP.

The decision cycle realise the need, research, assimilate, decide.

Generally, HIP products are expensive, while LIP products are not. The context of the purchase is more likely to determine how consciously the brands in the consideration set are evaluated, than the dollar value of the purchase. For a corporate buyer the research phase will invariably take longer than for individual buying, as the buyer needs to justify their decisions to the company.

### **Consumer involvement could be of Two Types, viz., Situational and Enduring.**

1. **Situational involvement:** This is a state of arousal directed towards attaching relevance to a person/object/situation for a short term. As an affective state, it creates a level of involvement when a person thinks about a particular person/object/situation. It is specific to a situation and is thus temporary in nature. It could vary from low to high, depending upon the situational factors.

For example, a middle aged lady suddenly decides to gift a i-pad to her son on his birthday. She is not techno savvy and has little interest with the product category. She goes to the electronics mall and visits the various stores that sell computers and laptops and i-pads. She collects information on the product features, prices, etc and finally takes the help of her middle aged neighbor to reach a final decision. Her involvement with the purchase activity would be regarded as a situational involvement.

2. **Enduring involvement:** When the level of involvement towards the product/service category extends over a period of time across situations, it is referred to as enduring involvement. The person shows a high-level of interest in the product category and spends time collecting and processing information and integrating it within his memory.

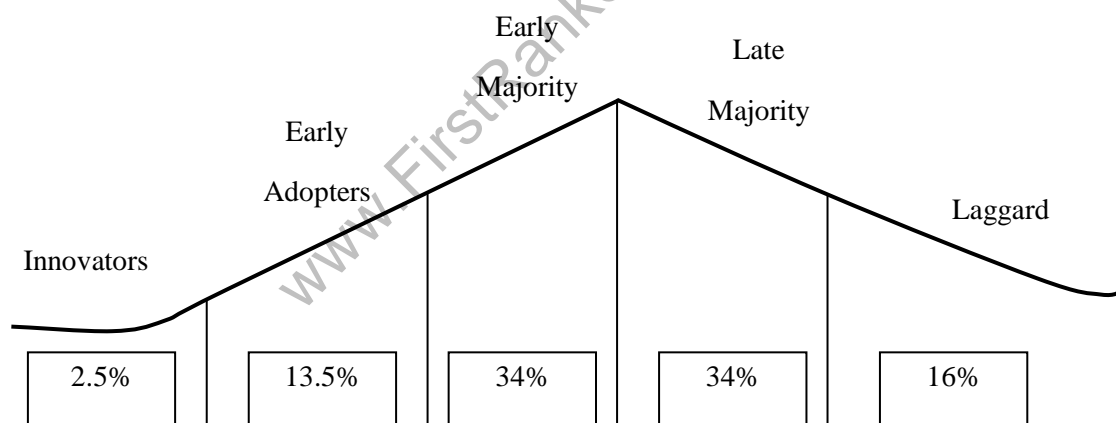
For example, a person desires to buy a laptop for his son to be gifted to him when he goes to college, which would be three years later. The father plans well in advance, tries to collect information through advertisements, brochures, trade journals, visits to dealers,

and word of mouth from peers and colleagues. Within this period he gets involved with the product category and after three years is in a position to take a decision based on the facts that he has collected. This is referred to as enduring involvement.

Enduring involvement with a product category often gives birth to an opinion leader. An opinion leader is a person who holds interest in a particular product/service category, and becomes a specialist; he makes efforts to gather all information about the category, the brand offering etc.; he talks about and spreads the information and the knowledge that he possesses. When a person wants to make a purchase, he seeks the advice and guidance of such an opinion leader who helps him make a decision. Opinion leaders are product specific. In the example above, if the lady approaches her neighbour and takes his advice/guidance because the neighbour is young, techno savvy and knows a lot about electronics and in particular i-pad, she would actually be taking help of what is known as an “opinion leader”

### Retail Shopper Behavior in Adopting New Products

The below figure illustrates the diffusion process. The process starts with a slow beginning, then picks up momentum with more number of persons adopting the new product. Thus, after a certain number reaching the peak; there is a decline with less number of adopters remaining. A brief description of the category of adopters is given hereunder.



1. **Innovators:** Innovators are venturesome. They show inclination to try out new products. They constitute 2.5% of the customers. These people are referred to as the pioneers or innovators of the new product.
2. **Early Adopters:** The early adopters are the next 13.5 per cent of the customers who adopt the new product. Early adopters are opinion leaders in their community and

adopt new products early but carefully. They buy the new product after gathering product information carefully.

3. **Early Majority:** The early majority are the next 34 per cent of the Retail shopper to adopt the new product. These people are not leaders; they adopt new products before the average person. Once the new product is adopted by this early majority of people, it ceases to be a luxury or a novelty items.
4. **Late Majority:** The late majority are skeptical. They adopt a new product only after a majority of people have tried it. They constitute 34% of the buyers.
5. **Laggards:** This is the last category of buyers to adopt a new product. They constitute 16% of the customers. They lag behind in accepting the new product. They are tradition bound. They are suspicious of changes. They mingle with people who share a similar traditional outlook.

The above mentioned classification of adopters of a new product suggest that the company introducing a new product should do research on the demographic, psychographic characteristics of innovators, early adopters. Understanding how consumers seek information about new products and the decision making process adopted by them can improve the adoption rate of new products.

## Summary

Retail shoppers' behaviour comprises entire spectrum of activities and process which he/she engages in buying, using, acquiring or disposing of goods and services. Buying Behavior is the decision processes and acts of people involved in buying and using products. Consumer buying Behavior refers to the buying behavior of the ultimate consumer.

Understanding consumers is essential for retailers. But customers are human beings, and they cannot be easily understood. Their behaviour is not very predictable or reliable. And there are considerable and serious deviations among them. Indian customers are quite different than the customers elsewhere and that is the reason why the retailer in India has to be very cautious in remodeling a format followed in different countries.

Most firms research the buying decision made by customers on their products. The research includes their brand beliefs, how involved they are, how they came to know about the products or brand, and their satisfaction on or after purchase. This enables the firm to prepare itself for different customers and different products. High involvement products for which the buyer is prepared to spend considerable time and effort in searching. Low

involvement Products which are bought frequently and with a minimum of thought and effort because they are not of vital concern nor have any great impact on the consumer's lifestyle.

### **Self Assessment Questions**

1. Examine the high involvement and low involvement buying situations.
2. What is consumer behavior buying process?
3. Give a detailed account of consumer adoption process of new products.

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## CASE STUDY

### Introduction

Case is a description of an actual or hypothetical situation. A case is used to help students learn a broad range of skills. A case has many solutions and many alternatives. Most of the cases are written to allow students to practice analytical techniques or to approach problems in a particular way. Only two business schools in Asia use case method as their primary approach for teaching.

1. Asian Institute of Management, Manila, 2. Indian Institute of Management, Ahmedabad. Other Business schools use a modified approach combining the case method with the traditional lecture method. The case is typically a record of an issue which actually has been faced by a manager together with surrounding facts, opinions and prejudices upon which managerial decisions have to depend. The case may include more than one problem. Its concept differs from field to field and even from person to person within the same field.

Case method is efficient, economical in time, energy and patience of the teacher and the student. This method produces brilliant results. A student trained under it possesses sureness, a precision, a firmness of grasp in the short time in which he is compelled to spend in his acquiring knowledge. The method is nothing but the practical application of the theory, which is the ultimate of our educational ideas, and not the acquisition of facts.

Management education must be directed to developing in students the qualities of understanding judgment and communication, leading to action. This opens a free channel between students and students and between students and teachers.

In a case method, the students pass through three basic discernible phases.

1. Firstly, the student realizes the inability to think of everything that his fellow students can think of.
2. Secondly, the student can accept, easily and naturally the need for cooperative help.
3. Finally, the student can realize that though the teacher knows the “best” view, he is free to present and hold to his views.

An outstanding effect of the case system is to put upon students the burden of independent thinking.

## Categories of Cases

The simplest method of classifying cases is by length and use.

### 1. Short Cases

They are limited objective cases which deal with brief analysis of specific problem followed by discussion on more general lines. They are used for learning tools and techniques of disciplines such as accounts, production management, costing, and operations research.

### 2. Long Cases

They are very detailed and factual accounts running some times up to fifty pages. They deal with cases on human relations, technical problems or a combination of both.

They provide sufficient information on the situation and personalities so as to enable the student to analyze, diagnose and see the general implications of his conclusions in context of the particular case.

Cases can also be classified depending on the type of management problems as individual problems, isolated incident, organizational problem or a combination of these.

The cases from the teacher's point of view can be classified as data dimension cases, analytical method dimension cases and value dimension cases.

## Different Methods of using a Case

1. **Case illustration:** The teacher or students present factual case illustration from his own experience. After the presentation, discussion may take place on how differently the situation could have been tackled.
2. **Case problems:** Useful in applying knowledge gained in lecture classes on a specific topic. The results can be compared with the solution prepared by the teacher or with what had been done in the actual situation.
3. **Syndicate discussion:** In this way, the class is divided into several syndicates and each syndicate has to report back to a plenary session.
4. **Case presentation:** A group presents the case analysis in the class session and a discussion follows on the group's analysis, assumptions and conclusions about the decisions to be taken.

5. **Cases and role plays:** Role plays, an extension to case methods, can be used in the action phase of the discussion of cases. Role plays can also be used occasionally in the diagnosis of the cases in human relations or administrative practices.
6. **The incident process:** The conventional case method has basic limitations that it cannot reproduce the unfolding quality of the actual events. The incident method captures the living quality of a case situation, making the student to perceive and respond to the quality of process, when he analyses the cases. The incident process begins by narration of concise incident by the teacher. The details of the case are given to the students when they ask for it specifically. If the students fail to ask appropriate questions, the key information will be withheld. After this the group attempts analysis. Finally, the leader reports the “real life” solution.

### Assumptions About Principles, Knowledge and Social Values

**Principles:** Cases are not used as illustrations of principles, rules or points. The application of principles must be done when the student has sufficient knowledge about their relevance and limitations and when they are very much need in the context.

**Knowledge:** Active situations in the case study help the teacher to transfer much knowledge and content to the students. Also, the student is in need for knowledge in dealing with problems, he gains more knowledge.

**Social values:** Interpretation and judgment depend upon the social values held by the student and with the help of skilled teacher he can relate questions of value to problems of action instead of dealing with them in a vacuum.

### Skills Developed by Case Method

A case method is primarily a vehicle for developing skills. The following are the skills acquired through case analysis:

1. **Analytical skills:** Students learn to classify, organize and evaluate information.
2. **Application skills:** Students learn to judge which techniques are appropriate, when they should be used and how they should be used.
3. **Creative skills:** Creativity is important in generating alternative solutions. Creative skills are acquired through case analysis.
4. **Communication skills:** It develops enormously the communication skills of the students.



5. **Social skills:** Students can learn to communicate, listen, support, argue, guide and control themselves. Case analysis provides inter-personal relations.

**Advantages in the case method:** The following are the advantages of case method:

1. It distributes knowledge and facts.
2. It improves participants' skill in problem analysis, communication and decision making.
3. It affects attitude formation and particularly brings home to the participant that nothing is absolutely right or wrong in the field of human behaviour.
4. It uncovers the meaningful insights and hypothesis.
5. It gives confidence to the participant to deal with real life situation in a solid and energetic manner.

**Limitations:** The following are the limitations of case method:

1. The value of the method in developing the ability to formulate, state and defend a reasoned opinion is reduced in case of large classes.
2. A lot of time and thought is required to prepare a case study.
3. In actual situation a person must live with a problem which does not happen in a case method.
4. Prolonged exposure to case studies can develop overly critical approach and a habit of looking what is wrong than instilling a more positive and constructive block.
5. Fully trained teachers are needed to lead the cases and help inculcate the habit of analysis of cases.

### **Use of Assumptions in Case Discussion**

In case study assumptions are made both by teachers and students. To avoid the frustration the following solutions are suggested.

1. Assumptions are distributed the day before and the students and the teacher prepare for the class based on these assumptions.
2. The group defends its position on sound use of logic. The logic examines the inferential reasoning and not the assumptions themselves.

3. The next step is to check the validity and relevance of each assumption. As the students progress into higher sessions, the set of assumptions and quality of analysis improves.

**Student's Role:** In the case analysis, the following is the role of students:

1. No case class can be held if the students have not prepared the case.
2. Participation of the whole class is a must; the matter is not of argument but of thinking.

Case method approach must be a regular process for better learning.

### **Teacher's Role**

1. The teacher must be open minded and should not be too dominating and authoritative. He should allow students to express their views freely.
2. Broader knowledge in different areas to deal with Multi Functional Cases through which he can relate the subject knowledge to organizational functions. For this, he can invite faculty members from different areas.
3. They must have a clear idea about the management profession in order to train the students accordingly.
4. The teacher is only facilitator. He only analyses and synthesizes the opinions of the class.
5. The teacher may play the following roles.
  - Guide
  - Moderator
  - Reality harbinger
  - Tension reliever
  - Inquisitor
  - Role player
  - Prompter
  - Clarifier
  - Answer giver
  - Summarizer
  - Integrator

## Conducting a Class

1. The class must recognize that there is no single right solution for a case.
2. The teacher has to coordinate the class in such a way that each segment participates. He has to select the students at different junctures to create a healthy discussion.
3. A flexible strategy should be adopted in order to accept new themes developing in the class.
4. The teacher should let students find the answer.
5. The teacher has to direct or intervene whenever there is a necessity to change the theme, refine the argument or examine the issues which the class has overlooked.
6. Cases in reality have adequate data, so the teacher can involve the students who have experience in particular industry into the discussion or invite a company executive to attend the case.
7. Usually, students fall into following categories.
  - Some need challenges
  - Some need encouragement
  - Some are lethargic

So, the teacher has to make all the students participate. The best case discussion is when it is held among students rather than between students and teacher.

8. Variety of allied teaching methods and aids like role plays, written reports after or before the class, films, slides, film strips and OHP transparencies could be used depending upon the purpose.
9. Finally, the teacher, after the case, has to summarize, analyze, synthesize the views and opinions of the students.
10. Most of the discussion should be done by the group and not by the teacher.
11. The teacher should intervene, to hold the balance between the participants, to switch the discussions from sterile to profitable courses, to summarize points of value as they emerge.
12. There must be a favourable atmosphere and good rapport between students and teacher. The teacher has to treat the students as adults.
13. Introductory remarks, for the group unfamiliar with case studies, must be made.

14. While leading the discussions, questions often become the tools for guiding the class.
15. The discussion should be preceded by a thorough analysis of the facts.
16. The teacher may begin with questions included in the cases or start with totally new ones.

### **Case Analysis Techniques**

The following checklist is given to enable a reader to develop a quick approach for case analysis:

1. Quickly glance through the material.
2. Try to catch the general ideas by reading the case as a whole.
3. Comprehend the case perspective.
4. Mark mental notes or marginal notes of important facts and ideas.
5. Arrive at some preliminary formulation of the problem.
6. Grasp the relevant facts and firm up logically and orderly relationship between them.

One must remember that one is not inspiring to a perfection, but is developing analytical capability for problem solving. The following practical guidelines will assist in the case analysis.

1. For analysis of facts, the following suggestions are offered:
  - a. List of facts should be prepared in a logical manner.
  - b. If any assumption has been made, this should be clearly stated.
  - c. Quantitative analysis should be done with the help of statements, charts and graphs.
2. Main questions to be answered should be identified and questions which need answers to tackle the main question should be stated.
3. Criteria for the decision should be determined keeping in view the objectives.
  - a. Programming orientation
  - b. Responsibility identification
  - c. Schedule of events
  - d. Budget perspective
4. Contingency plans may be kept ready in case of need.

## Systematic Approach to Case Analysis

Apart from foregoing checklists, the following points will be helpful for systematic approach to case analysis.

1. Define the main problems and issues in the case.
2. Identify relevant facts and date; appraise how they bear upon the issue.
3. Identify any facts or data not known which should be taken into account.
4. Summarize key assumptions about the situation.
5. Identify the causes of the problem.
6. Identify the alternative courses of action and appropriate ways of analyzing the facts and data relevant to make a decision.
7. Determine the consequences.
8. Weigh and decide among alternative courses of action giving full consideration to conclusions suggested by facts and analysis, and to lay our own judgment regarding the “Best choice”.
9. Develop plan of implementation.

## CASE STUDY

### The Effect of Wal-Mart

Vijayawada is a commercial and trade centre in the State of Andhra Pradesh. Vijayawada is called commercial capital of the state. It is a hub of wholesale business. In Vijayawada scores of commercial organizations have been running wholesale businesses. Everyday the turnover crosses crores of rupees. From nook and corner of the AP state and also from North India the business people come and make purchases on a grand scale. But recently Wal-Mart with a brand name “**Best Price**” started wholesale business in Vijayawada. The prices in the Wal-Mart Best Price is far less than wholesale prices. The wholesale business thrived and flourished for a long time in Vijayawada. With the advent of best price Vijayawada wholesale market has been rocked. The wholesalers in Vijayawada unable to bear the competition from “**Best Price**” started reducing their prices and thereby getting very low margins. Presently Spencers is running a big super market with a turnover of 1 crore 70 lakhs per month. With the advent of “Best Price” the turnover has been reduced to 1 crore 10 lakhs. Similarly Reliance and Big Bazaar are also loosing business of 25 lakhs to 40 lakhs.

### **Impact of FDI in Retail Sector**

In Vijayawada Town there are approximately 25,000 kirana shops. If FDI in retail sector is permitted the small traders will drastically affected in Vijayawada town. Though Wal-Mart has started as wholesale mode of business it is also targeting retail business. It has declared that the people can buy the goods worth of ₹ 1,000/- also. With the announcement even the lower-middle class people and the salaried employees are making beeline to Wal-Mart 'Best Price' to make monthly purchases. These customers used to go wholesale shops in the past. Now they shifted to Wal-Mart 'Best Price'. Because of the Wal-Mart decision the 7,000 small kirana shops and 2,500 street vendors, 13,000 corner shops are likely to be severely affected. It was hoped that with the advent of Wal-Mart 'Best Price' huge shops would be created in Vijayawada. But much to the contrary of expectations the employment position could not improve as the 'Best Price' is using information technology and computers and the 'Best Price' is unable to provide employment to more number of people.

### **Farmers and Consumers**

At the other end of the spectrum farmers and consumers are happy as the farmers can get remunerative price for their agricultural produce and consumers can get best products with cheapest prices. Consumers and farmers are welcoming the FDI in Retail sector and also Wal-Mart 'Best Price'. Customers are also happy with the quality of the 'best price' products.

Vijayawada Trade and commerce is engulfed by the foreign investment. The Wal-Mart is wiping out small traders and street vendors. It will spell doom to the small time traders. The whole Vijayawada wholesale business is in crisis. The Wal-Mart 'Best Price' is selling foreign products at cheaper prices than the wholesale market products. The 'Best Price' is also selling meat food and sea food imported from Vietnam. As a result local food products remain unsold.

### **Questions**

1. How to overcome the competition from Wal-Mart 'Best Price'?
2. How to safeguard and protect the wholesale market in Vijayawada town?
3. Critically examine the impact of FDI in Retail sector.
4. What are the advantages and disadvantages of Wal-Mart 'Best Price'?

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## UNIT – II

### Unit Structure

- Lesson 2.1 - Model of Retail Consumer Behaviour
- Lesson 2.2 - Personal influence on the Shopper
- Lesson 2.3 - Social and Cultural influence on the Customer
- Lesson 2.4 - Understanding Customer Needs and Motives

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### Lesson 2.1 - Model of Retail Consumer Behavior

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### Learning Objectives

- Know the model of retail shopper behavior.
- Understand the nature of demographic factors influence shopper behavior.
- Know the Shopping attitudes and behaviour

### Introduction

Retailing is not only an important aspect of the economic structure but very much a part of our lives. Although trading of goods have become more of a formal and a brand dominated activity. In fact, today retailing is evolving into a global, high-tech business. The retailers' market can be segmented on the basis of various retail formats to concentrate or focus on the needs of particular consumer groups. With the increase in competition in the retailing market, retailers are seeking new consumer groups and new ways to tap this market. Some of the important reasons for the growth in the consumer demand for retail outlets could be that there is a growing middle class of consumers with high disposable income, rise in consumer aspiration level for global lifestyle due to media exposure etc.



## Types of Retailers

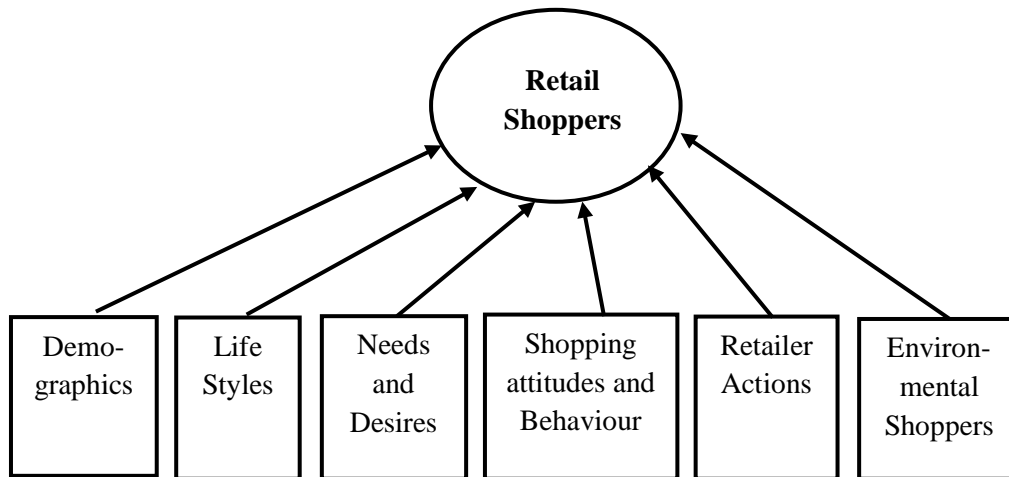
Types of Retail Format	Description
Convenience store	Ideally located close to residential areas to enable target customers have easy accessibility and select convenient merchandise such as beverages, ready-to-eat snacks, grocery etc. For instance the friendly neighborhood grocery stores.
Chain of stores	A single retailer establishes a chain of stores with its exclusive-store design, synergistic merchandising plan, promotion and service strategy and so on. For instance – Raymond chain of stores, Khazana Jewellery etc.
Franchise	Retail stores owned and operated by individuals on behalf of, and licensed by a big supporting organization. For instance, Pizza Hut, Baskin Robbins, Aptech, NIIT, Nirulas, McDonalds etc.
Speciality Store	Retail shops displaying merchandise which have narrow product lines, specializing in a particular type of merchandise and offering specialized services to customers. For instance, Carbon from Peakok Jewellery, has its own exclusive stores selling fashion accessories and jewellery. Or Park Avenue, from Raymonds is a men's speciality store
Departmental Store	A store having several departments such as clothing, personal care and cosmetics, books and stationeries, house ware goods, electronic etc. all under a single roof, although individually functioning as a Strategic Business Unit (SBU). The stores are large in size (or area) more often owned by large or national chains. For instance, Life Style, Shoppers' Stop, Pantaloon, Westside, Ebony etc.
Supermarket	A store which is departmentalized, with self service offering groceries, limited non-food items such as health and beauty related items and general merchandise. For instance-Food world outlets, Nilgiris (in the south) etc.
Hypermarket	Hyper markets are very large in size, carry grocery, hardware, appliance and other general merchandise, with self service facilities, usually located in warehouse type structures with large parking facilities. For instance, Trent's (a Tata Enterprise) Star India Bazaar, Giant (RPG Group) and Big Bazaar (Pantaloon Retail India).

Shopping Mall	A shopping mall is an arrangement of retail stores and providing the right mix of shopping, food courts and entertainment and parking facilities. The retail space is shared by an anchor stores and other retailers (tenants), who will pay the developers of the mall – rent or lease payment for putting up the shop within the mail premises. For instance, in Bangalore-The Forum, Central, Sigma mall etc.
Shopping Plaza	The shopping plaza will be a configuration of many tenants using space of 1,000 sq. ft. or so for putting up stores within a single building. For instance, Fountain Plaza (Chennai), Modi Arcade Plaza (Bangalore) etc.
Discount stores	Discount stores retail a broad variety of merchandise, offer limited services and at low prices. For instance, Subiksha and Margin Free Super Market.
Factory/ Seconds Outlet	The factory stores are owned and operated by the manufacturers who sell discounted merchandise or factory seconds or cancelled orders to consumers at low prices. For instance, The Bata factory Outlet, Indigo Nation/Peter England factory outlet etc.
Kiosk	Kiosk as a store often is a concession format store placed within a mall/shopping centre, a bus station, airport etc. It is a free standing pavilion open on one or more sides. For instance, in a bookstore kiosk, customers are provided with online catalogue service to help them to identify titles and read reviews before making a purchase decision.

The effectiveness of retail strategy depends on how well a retailer identifies and understands its shoppers and how well it formulates a strategy mix to woo the shoppers. This involves identifying shopper characteristics, needs, and attitudes, recognizing how shoppers make decisions and then preparing the proper target, market plan. It also involves studying environmental factors and individual factors that affect the purchasing decisions. Nowadays shoppers have a wide variety of choices regarding the place of purchase and items of purchase. There are special stores for special products. For instance, if a person wants to buy jewelry there are specific stores famous for jewelry. On the contrary, if a person wants to buy furniture he will visit those stores which are famous for furniture. Likewise, there are certain supermarkets and hypermarkets etc. which cater to the different needs of the shoppers. Those retail stores which are able to identify the different needs and tastes of consumers, those which are able to cater those needs are able to survive in the days of intense competition. For instance, *more, foodworld, reliance mart* and *starbazar* cater to

different needs of the shoppers. The shopper decides which store to visit depending on the quantity, quality and type of products he needs to buy. Some times one single store may not be famous for jewelry, electronics, cosmetics, readymade garments and provisions.

The following is the model of retail consumer behavior:



**Demographics:** These are objective, quantifiable, easily identifiable, and measurable population data.

Demographics include gender, age, population growth rate, life expectancy, literacy, family size, marital status, income, place of residence, occupation, education, religion etc. these factors profoundly influence retail shopping behavior. Hence a retailer should have thorough knowledge of overall trends and also the demographics of its shoppers.

**Lifestyles:** These are the ways in which individual consumers and families (households) live and spend time and money.

Consumer lifestyles are influenced by social factors like culture, social class, reference group, family life cycle etc. and also these are influenced by psychological factors like personality, attitude, perception etc. If the retailers know the consumer profiles properly they may be able to formulate retail strategies to appeal to different age groups of people like teenagers, adolescences, retired people, middle-aged people similarly the store can also appeal to girls, women, middle aged women etc.

The tastes and preferences of the shoppers vary with age, income, size of the family, education, occupation and culture. The kinds of goods and products used by different shoppers vary very widely.

**Culture:** The **culture** refers to the religions, beliefs, customs, traditions, languages, ceremonies, arts, values and the way of life of people. India's languages, religions, dance, music, architecture, food, and customs differ from place to place within the country. Its culture often labeled as an amalgamation of these diverse sub-cultures is spread all over the Indian subcontinent and traditions that are several millennia old.

**Social class:** It is a set of concepts in the social sciences and political theory centered on models of social stratification in which people are grouped into a set of hierarchical social categories.

Class is an essential object of analysis for sociologists, political scientists, anthropologists and social historians. However, there is not a consensus on the best definition of the term "class", and the term has different contextual meanings. In common parlance, the term "social class," is usually synonymous with "socio-economic class," defined as: "people having the same social, economic, or educational status," e.g., "the working class"; "an emerging professional class."

**Reference group:** A **reference group** is a concept referring to a group to which an individual or another group is compared.

Sociologists call any group that individuals use as a standard for evaluating themselves and their own behavior a reference group.

Reference groups are used in order to evaluate and determine the nature of a given individual or other group's characteristics and sociological attributes. It is the group to which the individual relates or aspires to relate himself or herself psychologically. It becomes the individual's frame of reference and source for ordering his or her experiences, perceptions, cognition, and ideas of self. It is important for determining a person's self-identity, attitudes, and social ties. It becomes the basis of reference in making comparisons or contrasts and in evaluating one's appearance and performance.

Reference groups provide the benchmarks and contrast needed for comparison and evaluation of group and personal characteristics. Reference groups are groups that people refer to when evaluating their [own] qualities, circumstances, attitudes, values and behaviors. Reference groups act as a frame of reference to which people always refer to evaluate their achievements, their role performance, aspirations and ambitions. A reference group can be either from a membership group or non-membership group. An example of a reference group being used would be the determination of affluence. An individual in the U.S. with an annual income of ₹ 80,000, may consider himself affluent if he compares

himself to those in the middle of the income strata, who earn roughly ₹ 32,000 a year. If, however, the same person considers the relevant reference group to be those in the top 0.1% of households in the US, those making \$1.6 million or more, then the individual's income of \$80,000 would make him or her seem rather poor.

**Family life cycle:** The emotional and intellectual stages one passes through from childhood to retirement years as a member of a family are called the family life cycle. In each stage, one faces challenges in one's family life that cause one to build or gain new skills. Gaining these skills helps one work through the changes that nearly every family goes through.

Not everyone passes through these stages smoothly. Situations such as severe illness, financial problems, or the death of a loved one can have an effect on how well you pass through the stages. Fortunately, if one misses skills in one stage, one can learn them in later stages.

The stages of the family life cycle are:

- Independence.
- Coupling or marriage.
- Parenting: babies through adolescents.
- Launching adult children.
- Retirement or senior years.

**Needs and desires:** A retailer should identify key consumer needs and desires. From a retailing perspective, needs are a person's basic shopping requirements consistent with his or her present demographics and lifestyle. Desires are discretionary shopping goals that have an impact on attitudes and behavior.

**Shopping attitudes and Behavior:** The retailer has to identify the attitude of the shoppers towards shopping. Shopping has to be enjoyable experience and fun. People shop around for the sake of relaxation, amusement, entertainment etc. The retailer has to keep in mind the changing tastes and preferences of the people in the age of information and communication.

The prime considerations in shoppers store patronage is accessibility, atmosphere environment, sales people and ambience. Hence retailers should invest more in store atmospherics like music, colour, lighting, aroma, visual merchandising etc. They must also adequate parking space for two wheelers and four wheelers.

**Retailer actions:** Retailers adopt different actions like mass marketing strategies, concentrated marketing strategies and differentiated marketing strategies. *Big bazaar* follows mass marketing strategy by ensuring that all its products are of good quality and offer at lowest prices. It also offers lot of discounts during festive seasons to woo different segments of market. The shopper experiences convenience, comfort, quality, service and stranded price. *Fabindia* adopts concentrated marketing strategies. It is a specialty change that markets diverse craft traditions in India.

Their endeavor is to provide customers with hand-crafted products which help, support, and encourage good craftsmanship. The product range consists of garments for men, women, children, and infants; garment accessories; home furnishings such as bed, bath, table, kitchen linen, upholstery fabrics, curtains, and floor coverings; and a range of nontextile products such as furniture, lights, lamps, and stationary. In addition to hand-crafted clothing and home furnishings, *Fabindia's* product line includes organic foods and personal care products. Its home design centers offer a customized solution to suit the taste and décor of individual customers' homes.

*RaymondsIndia* adopts differentiated marketing strategy. It offers complete wardrobe solutions for men and women by offering premium brands like *colorplus women*, *parkavenue woman* etc.

**Environmental Shoppers:** The environmental factors like rate of inflation, boom or depression, increased disposable income of the people, the rising women workforce, changing fashions and trends, emergence of new retail shops, sales promotion offers also influence consumer patronage towards retail stores.

The consumer behavior is defined as, "the study of individuals, groups or organizations and the process they use to select, secure, use and dispose of products, services, experiences or ideas to satisfy needs and the impacts that these processes have on the consumer and society."

This definition is broadly divided into as given under:

- It is a study of individuals, groups, or organizations
- The process to choose, secure, adopt, dispose of the products, services, experiences or ideas
- With an intention to satisfy their needs and
- Studying the impacts of these processes has on the buying behavior.



Especially consumer Behavior from the retail perspective refers to the ***actions and decision process*** of people who purchase goods and services for personal consumption as industrial buying activities do not fall under the ambit of retail activities.

Successful marketing requires that companies to **fully connect with their customers**. Adopting a holistic marketing orientation means understanding consumers – ***gaining a 360 degree view*** of their daily needs and their long term needs and various other mainstays of a modern economy. Changes that occur during their lifetimes, gaining a thorough, in-depth consumer understanding helps to ensure that the right products are marketed to the right consumers in the right way.

The success of an organization lies in comprehending the dynamic needs of its consumers and offering products at right time and at right price and service them in right perspective. This calls for developing the customer centric approach which is possible only when the organizations develop holistic approach towards its customers. This is not a recent phenomenon; as many great organizations have spent considerable amount of time and money in researching the field of consumer behaviour.

Over a period of time, the marketing and sales have evolved and undergone many phases like customer satisfaction, customer delight to its current phase of taking customer by surprise. It is pertinent to note from the words of Father of Management, Peter F Drucker that “consumers do not buy products; they buy a sense of satisfaction through products.” This amply makes it clear that business organizations have to provide what the customers perceive as value. Drucker advanced a different theory of value. He said that value must be perceived from outside-in. It must be seen through the eyes of the customer.

The growth of marketing in Indian context is critically viewed, the 1990's witnessed the shifts in the market place, the early 21<sup>st</sup> century has made rapid strides in making the customer's as the focal point in determining the purpose of the industry. With the entry of Business process outsourcing, Information Technology and call centers in 21<sup>st</sup> century has opened new vistas to the Indian marketing scenario. Although late awakening of services sector in India and its upheaval had shaken the so called developing countries in a short time, making all Management philosophers to reinvent the importance of consumer behaviour. Amongst the many services sectors, viz., BFSI- Banking, Finance, Services and Insurance, have already attracted enough players from the world over, now one such noteworthy sphere which is rocking the Indian shores is Retail marketing services. With the country's organized retail poised for a growth at a compounded annual growth rate of about 35 per cent over the next few years, the study of consumer behaviour in retailing has gained prominence.



Indian organized retailing is witnessing a considerable momentum. It is evident with the entry of leading domestic business houses and global retail giants in to this growing segment. The buoyancy in consumers spending power and increasing disposable income makes this segment very lucrative. The conglomerates are investing billions in building efficient back end and front end operations. If the back end operations emphasize strengthening the supply chain management practices, the front end operations calls for an intensive study of consumer behaviour. The Indian retail operations have started by changing gears by adopting different retail formats and product specific formats to entice the Indian consumers. Each conglomerate adopts a unique retail format in order to position their entity and communicate to their target segment. However, none of the conglomerates could come out with the tested retail formats and decide on the potential locations beyond metros and tier 1 cities. Hence, this study aims at addressing the some of the issues related to the changing consumer perspectives and their likely impact on these organized retail stores keeping in view the urban markets.

### **Changing Consumer Behaviour**

Any study cannot be effective, unless understanding of the way retail consumers make decisions and act in relation to the consumption of retail products. There is, therefore, a need to understand the different ways in which consumers choose and evaluate alternative retail services.

The reality is that there is a wide diversity of variables involved in consumer behaviour with decisions being made for a range of decisions. To understand the consumer behaviour the retailers must be aware of

- The motives of the shoppers who visit these organized retailers;
- How demographic change may affect retail purchasing
- The different effects of various promotional tactics adopted by these retailers;
- The complexity and process of purchase decisions;
- Consumers are rather influenced by their emotional and perceptual framework to avoid the risks involved in retail purchases;

Behaviour is predictable to a certain extent, yet can never be completely understood. Decisions are made that have both rational and irrational elements. The importance of identifying both extremes is that it sets a framework within which to work and helps to understand the more extreme stances taken by some theorists. To all buying decisions, same approach and same criteria is not followed by the same person. Hence exactly predicting

the behaviour is not possible, unless the types of purchase activities, motives behind the buying behaviour and their learning process is understood at length. At the outset, to decipher the consumer behaviour, the demographics needs to be understood first. The first characteristic that has a direct influence on the buying behaviour is age.

The most important visible characteristic of Indian consumers is that the median age is 24.9 years compared to 32.7 years for the Chinese. It is much higher in Europe and North America. What is distinctly applicable in one country cannot be uniformly applied to other countries. The tastes, preferences and needs of older population are different from those of younger generation.

Same goes with what men want and what women want, especially as the latter begin to earn and have control over purchase decisions. Ethnic, cultural, religious, generational, gender and other differences impact consumer behaviour in distinct ways. Further, the differences in both markets and income levels as well as the range of products and choices and the awareness that people have about them impact consumer behaviour.

<b>Name of Mall/Retail Store</b>	<b>Type of Mall/ Retail Store</b>
City Centre Mall	Specialty mall
Hyderabad Central	Specialty mall
Life Style Mall	Specialty mall
CMR Family Shopping Mall,	Specialty mall
gvk one	Specialty mall
Maheshwari Palace Mall	Specialty mall
Babukhan Mall	Specialty mall
Amrutha Mall	Specialty mall
Prasad's Mall	Specialty mall
Shoppers Stop	Specialty mall
Reliance Fresh	General store
Food World	General store
More	General store
Fab mall	General store
Subeeksha	General store

Big Bazaar	General store
Spencers	General store
Nilgiris	General Store
Fresh@	General Store

***Various Malls****Source: websites***Summary**

The effectiveness of retail strategy depends on how well a retailer identifies and understands its shoppers and how well it's formulate a strategy mix to woo the shoppers. This involves identifying shopper characteristics, needs, and attitudes, recognizing how shoppers make decisions and then preparing the proper target, market plan. It also involves studying environmental factors and individual factors that affect the purchasing decisions. Nowadays shoppers have a wide variety of choices regarding the place of purchase and items of purchase. There are special stores for special products. Retail shopper behavior is influenced by a lot of factors like, demographic, lifestyle, culture, social culture, needs and desires, shopping attitude and behavior, retailer actions, environmental shoppers etc.

**Self Assessment Questions**

1. Explain the model of retail shopper behavior.
2. How demographic factors influence shopper behavior?
3. Examine how important atmospherics in wooing the shoppers.

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## Lesson 2.2 - Personal influence on the Shopper

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### Learning Objectives

- Understand the influence of personal factors on purchase decisions.
- Know the relationship between family life cycle and shopper behavior.
- Understand marketing implications of family purchase decisions.

### Introduction

The constant changes in the demographic and psychographic profile of Indian consumers is giving the retailers a blurring picture. The consumer is no longer willing to accept anything less than she deserves. While the retailer is not able to read her mind and decide whether to categorize the housewife as an uneducated or a person with no awareness. Nor is the retailer able to classify a working woman as a non-spender who contributes all her earnings to the family kitty only. This is the reason why retailers go about studying their (consumer's) behaviour.

Retail stores are spending huge amounts of money in setting up of retail stores and recruiting scores of sales people and procuring goods from different parts of the world. All these things are mere waste if the stores are unable to attract the shoppers. The retail stores have to promote their outlets through advertisements and communication and arise interest among the prospective shoppers to visit once these shops. Thus, the retail outlets have to increase the footfalls which may subsequently translate into sales. Almost all big business houses in India have forayed into retail sector. Understanding the shopper behavior is the key for the success of any retail stores. As such, the retailer has to understand the factors and the forces influencing the shopper behavior. There are certain personal factors which will influence a shopper with regard to product choice, store choice and brand choice. Hence, an attempt is made to know the personal influence of shoppers on retailer store choice. However predicting the shopper behavior precisely is a complex subject. There may be a lot of considerable and serious deviations from their predictive behavior. Indian shoppers are having peculiar purchase tendencies distinctly different from the shoppers of other countries. Hence, the retailer has to adopt and fine tune the formats developed and followed in other countries in understanding the shopper behavior. Retailers should not just copy the format which is successful in other countries like US and Europe.

The person's occupation also influences his buying decision. A blue collared worker prefers simple clothes, and may be a lunch box. White collared workers, on the contrary, prefer simple white or even coloured clothes, and goods to signify their status.

Lifestyle refers to the pattern of life adopted by a person. Retailers, and often marketing managers, seek to correlate life styles with products. The science of measuring and categorizing life styles is called 'psychographics'.

The methodology used for psychographics is fairly sound. However, marketing managers have extended the terms and jargon used for earmarking lifestyle categories. It will not be surprising if a student of retailing finds categories like Sleepwalkers, Chameleons, Avant-Guardians appearing in marketing literature. Several new market research tools to identify shopper behavior have recently appeared in the marketing world.

Shopper Behavior helps us understand the buying tendencies and spending patterns of shoppers. Not all individuals would prefer to buy similar products.

Shopper behavior deals with as to why and why not an individual purchases particular products and services

## **Personal Factors Play an Important Role in Affecting Shopper Buying Behavior**

### **1. Occupation**

**The occupation of an individual plays a significant role in influencing his/her buying decision.** An individual's nature of job has a direct influence on the products and brands he picks for himself/herself.

Occupation is a single well-accepted variable to measure social-status. Our occupation influences to an extent what we wear, what we drive, what food we eat? Occupation also influences shopping pattern, hobbies and media preferences.

Rao was working with an organization as Chief Executive Officer while Venkatesh, Rao's friend now a retired professor went to a nearby school as a part time faculty. Rao always looked for premium brands which would go with his designation whereas Venkatesh preferred brands which were not very expensive. Rao was really conscious about the clothes he wore, the perfume he used, the watch he wore whereas Venkatesh never really bothered about all this.

That is the importance of one's designation. As a CEO of an organization, it was really essential for Rao to wear something really elegant and unique for others to look up to him.

A CEO or for that matter a senior professional can never afford to wear cheap labels and local brands to work.

An individual's designation and his nature of work influence his buying decisions. One would never find a low level worker purchasing business suits, ties for himself. An individual working on the shop floor cannot afford to wear premium brands everyday to work.

College goers and students would prefer casuals as compared to professionals who would be more interested in buying formal shirts and trousers.

## 2. Age

**Age and human lifecycle also influence the buying behaviour of shoppers.** Teenagers would be more interested in buying bright and loud colours as compared to a middle aged or elderly individual who would prefer decent and subtle designs.

A bachelor would prefer spending lavishly on items like beer, bikes, music, clothes, parties, clubs and so on. A young single would hardly be interested in buying a house, property, insurance policies, gold etc. An individual who has a family, on the other hand would be more interested in buying something which would benefit his family and make their future secure.

## 3. Economic Condition

**The buying tendency of an individual is directly proportional to his income/ earnings per month.** How much an individual brings home decides how much he spends and on which products?

Individuals with high income would buy expensive and premium products as compared to individuals from middle and lower income group who would spend mostly on necessary items. One would hardly find an individual from a low income group spending money on designer clothes and watches. One would be more interested in buying grocery items or products necessary for one's survival.

A household's income is another economic variable used to measure personal status. Researchers use amount or source of income as a measure. When a household's income is clubbed with accumulated wealth, it determines their purchasing power. Income is a popular measure to estimate personal status; all the researchers do not agree to accept it as an appropriate variable.

#### **4. Lifestyle**

Lifestyle, a term proposed by Austrian psychologist Alfred Adler in 1929, refers to the way an individual stays in the society. It is really important for some people to wear branded clothes whereas some individuals are really not brand conscious. An individual staying in a posh locality needs to maintain his status and image. An individual's lifestyle is something to do with his style, attitude, perception, his social relations and immediate surroundings.

#### **5. Personality**

Personality is one of the many factors that exert on influence on consumers behaviour. Personality is the composition of an individual's psychological traits, characteristics, motives, habits, attitudes, beliefs, and outlooks.

An individual's personality also affects his buying behavior. Every individual has his/her own characteristic personality traits which reflect in his/her buying behavior. A fitness freak would always look for fitness equipment whereas a music lover would happily spend on musical instruments, CDs, concerts, musical shows etc.

#### **6. Education**

Education has been valued high in most of the cultures. It provides the path for upward social mobility. Therefore, level of one's formal education is a parameter for estimating the social status. When a person is highly educated, it is most likely that he has higher income or enjoying a respectable position. When retailers target specific products and services to occupation group, they mention it specifically.

Education partially determines one's income and occupation, which ultimately reflects in what one can purchase. It has strong influence on one's thinking process, decision process and how one relates to others. Persons who are not educated adequately, are not able to earn sufficient money and unable to spend it wisely also.



## 7. Family

Family is a social group with earnings, consuming, and decision-making unit. This is actually a sub-set of more general classification of household. The family is the basic purchasing and consuming unit. Therefore, it is of great importance for retailers. The family consists of two or more related or unrelated persons living together in a dwelling unit. There are three types of families: married couples, nuclear families and extended families. The basic functions of the family are to provide emotional support, economic well-being, suitable lifestyle and family member socialization.

Family is also a small social group but it is very prominent in influencing shopper behavior. Family is a primary group (characterized by intimate, face-to-face interaction) as well as a reference group (with members refusing to certain family values, norms and standards in their behavior). But these two factors are not the sole determinants of family's influence. Rather, it is the strength of bond within the family. The bond within the family is stronger than that of small social group. Contrary to most other groups to which the shopper belongs, family is directly involved in ultimate consumption. Family is basically an economic unit, which earns and spends money. Family members establish their individual and collective consumption priorities. They decide among themselves about the products and brands that will fulfil their needs and requirements. They also decide from where the products are to be bought and how the consumption is going to take place. Individual's saving and consumption habits are usually dependent to a large extent on the environment of the family in which one is grouped up. Hence, it is important for the retailers to understand the nature of influence of family on its members and also, how the purchasing decisions are made by the family members. This enables retailers to develop effective marketing mix.

### Family Lifecycle

Just as individuals have lifecycle, families, also, have life-cycles, which refer to the series of life stages through which individuals proceed over time. Shopper researches considered the concept of the family life cycle (FLC) the effective way to classify family units into distinct segments. FLC analysis aids retailers in segmenting families in terms of a series of stages spanning the life course of a family unit. FLC studies demographic variables such as marital status, size of family, age of family members and employment status of household. Parent's age and their relative disposable incomes are usually influenced from the stage in the FLC.

The family-life-cycle concept is broadly categorized into two sections. The first section studies traditional family-life-cycle. As the first fails to analyze important family

living arrangement, the second emerged to focus on alternative FLC stages, including non-traditional family.

### **Relationship Between Family Lifecycle and Shopper Behavior**

Various researchers have categorized the different stages of lifecycle differently. Hence, it is very difficult to compare the results of various researchers. But all the researchers agree that there is strong relationship between lifecycles and shopper behavior.

Many researchers have shown that consumption patterns differ widely in different stages of lifecycle. FLC is a good estimate of attitude and leisure activities. This model (FLC) is strongly related to food and beverage consumption, purchasing of house appliances and furniture etc.

Households can be classified on the basis of their durable goods ownership and purchase plan. Newly formed household starts out with durable goods; they get either through gift, purchase, rentals, previous ownership. It is very difficult for the newly formed households to buy all the durables goods to furnish their houses. Hence, they have to set up the priorities for purchasing and also a decision plan about the ways, purchasing is going to be made. Researchers have found that a pattern exists for priorities and order in which the durables are bought.

In another research study, it has been found that the size and composition of household expenditure is systematically related to the stage of the family lifecycle. These findings can be useful to the retailers in forecasting the demand of a product and service. This demand can be estimated on the basis of relationship between demand and stage in family lifecycle and the estimated numbers of household in various lifecycle stages.

### **Marketing Implication of Family Purchasing Decision**

Nature of family role and decision-making patterns influence the marketing strategy for designing every aspect of marketing i.e. product, price, place, promotion, channel etc. needs that household purchase patterns must be well understood.

Family roles and decision making patterns have significant impact on development of advertising and selling messages. For example, the criteria by which families decide about the brand of an appliance need to be understood in developing advertising messages. The decisions in which one spouse (wife) dominates the sales messages must be developed

for that particular segment. If joint decision prevails, separate messages must be developed so that they satisfy buying criteria of each party.

Differences in the use of media among family members necessitate using various channels to reach dominant family members. Reaching the purchaser may need one medium, while reaching the user may need the other.

For example, mothers are usually the purchasers of health drink such as Complan for their children. A manufacturer may use one campaign to reach mothers by explaining the ingredient and their nutritious values and another campaign to reach children dominated media to encourage the purchase of the brand. Appealing to both segments with specific media and appeals for each would be ideal but it requires large budget.

A similar strategy is often used for advertising the products in which children are significantly involved in purchase decision. For example, children directly influence the choice of fast food restaurant. McDonald's and Burger King target children as well as parents through their advertisements.

There are four basic principles underlie the shopper influence perspective of studying the shopper:

- The shopper is sovereign
- Shopper behavior can be understood through research.
- Shoppers can be influenced.
- Shopper influence is a socially legitimate activity.

If retailer can find out the basis on which the shoppers are making their consumption decisions they can plan their marketing strategy effectively. By understanding their shopper better, retailers will be able to make more suitable managerial decisions. If they can understand them, they can know their reactions in advance to external and internal factors. Thus, their marketing strategy can be planned accordingly.

## Summary

Family decision making is the process by which decisions that directly or indirectly involve two or more family members are made. It involves the considerations of questions such as who buys, who decides, who uses, who influences, etc. Roles of men and women in family are continuously changing due to change in social structure. This change has

significant impact on family purchasing decisions. Women have adopted two roles traditional and modern. In modern role, she negotiates for her individual interests. The patterns of the families are changing. Retailers need to understand what these shifting pattern means. The most important one is shifting the roles of marriage patterns. The numbers favoring share roles in marriage have surpassed those favoring traditional marriage roles.

### **Self Assessment Questions**

1. Examine the influence of personal factors on purchase decisions.
2. Discuss the relationship between family life cycle and shopper behavior.
3. What are the marketing implications of family purchase decisions?

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## Lesson 2.3 - Social and Cultural Influence on the Customer

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### Learning Objectives

- Know the influence of culture on shopper behavior.
- Understand cultural values.
- Know the influence roles and status on shopper behavior.

### Introduction

Cultural and social environment factors have effects on the shoppers' behaviour, which provides background for other factors. Shopping is generally a socially visible behavior, frequently done while accompanied by friends or family. The importance of the social interaction achieved through shopping would suggest that social referents may affect the patronage behavior of consumers. However, the ability of social referents to influence patronage may depend on how important the role of shopper is to the individual. Historically, females were expected to assume the role of shopper. But there is evidence that currently the role of shopper has increased in importance for males while decreasing for females who do not occupy the role of housewives. This study used a behavioral intentions modeling approach to investigate the strength and significance of social referent influence on three shopper segments with differing types of role expectations. The shopping orientations and retail feature preferences of the three segments were also measured.

Various segments in Indian society differ widely in their consumption patterns. We can attribute the differences to psychological, social and cultural factors. When differences are so wide in one nation, it is likely that more diversity will exist among the members of different countries. International retailers should understand the cross-cultural differences among the shoppers of different countries to make specific strategies to penetrate the foreign markets.

Cultural values are beliefs that tell what is desirable or undesirable by society. These values affect human behavior through norms set up by society. It specifies ways to respond to specific situations. Different cultures embrace different cultural values. Retailers should understand the difference in cultural values in different countries.

There are numerous cultural values that differ across culture and have significant impact on the consumption pattern. Cultural values that affect the consumer can be broadly classified into three broad categories. They are other-oriented, environment-oriented and self-oriented. A single value can have impact on more than one category but the primary impact will be on one category only.

**Self-oriented values** reflect the approaches and objectives of the individuals desired by the society. These values have significant implications on the marketing strategy. For example, society pattern determines the acceptance and use of the credit. It actually tells that whether people in society prefer immediate consumption for satisfaction or postponed satisfaction.

### **Social Influence on the Shopper**

Social class is defined as the relatively permanent and homogeneous division or structure in society, which differ in their status, wealth, education, possessions, values, beliefs and attitudes, friendships, and manner of speaking.

Social classes are of different categories. Shoppers' behaviour is strongly influenced by the social class. Social class is the hierarchy by which people in a society rank one another in different social positions.

They are associated closely because they share beliefs, values and ways of behaving. The social interactions of different groups influences the consumption of one another. Such as the choice of a place to live in affects the living status of the residents and their consumption decisions as well.

Social group is a collection of people who are related because of some interaction with one another. Group members can have influence on individual behavior. Social groups also provide information to consumers that can influence subsequent behavior.

Social class involves an informal ranking of people based on income, occupation, education, and other factors. People often have similar values in each social class.

A consumer's behavior is influenced by such social factors as:

- Reference Groups
- Family
- Social roles and statuses

## Reference Groups

Reference groups influence people's thoughts and behavior: aspirational groups – a person does not belong but wishes to join; membership groups – a person does belong; and dissociative groups – a person does not want to belong. Face-to-face groups, such as families, have the most impact. Within reference groups, there are opinion leaders whose views are well respected and sought.

Groups having a direct or indirect influence on the person's behavior like family, close friends, co-workers. Since they interact frequently with the person and most interactions are informal; the person absorbs their like and dislikes.

A person's reference groups consist of all the groups that have a direct (face-to-face) or indirect influence on his/her attitudes or behavior. Groups having a direct influence on a person are called 'membership groups'. Kingfisher's frequent fliers club, Rotarians, Lions club members etc.,

Some membership groups are primary groups, such as family, friends, neighbors, and co-workers, those with whom the person interact fairly, continuously and informally. People also belong to secondary groups, such as religious beliefs, professional and trade-union groups, social clubs, religious associations, which tend to be more formal and require less continuous interaction.

People are significantly influenced by their reference groups in at least three ways. Reference groups expose an individual to new behaviors and lifestyles, and influence attitudes and self-concept; they create pressures for conformity that may affect actual product and brand choices.

## Family

The family is the most important consumer buying organization in society, and family members constitute the most influential primary reference group. We can distinguish between two families in the buyer's life. The family of orientation consists of parents and siblings. From parents a person acquires an orientation toward religion, politics, and economics, and a sense of personal ambition, self-worth, and love. Even if the buyer no longer interacts very much with his or her parents, their influence on behavior can be significant. In countries where parents live with grown children, their influence can be substantial. A more direct influence on everyday buying behaviour is the family of procreation – namely, one's spouse and children.



Parents do anything for the welfare of their children some religious academic institutions have special reservations for their own religion.

### ***Roles and Status***

The person's person in each group can be defined in terms of role and status. Role consists of the activities a person is expected to perform. Each role carries a status.

A senior vice president of marketing has more status than a sales manager, and a sales manager has more status than an office clerk. People choose products that reflect and communicate their role and actual or desired status in society.

Marketers are interested in the roles and relative influence of family members in the purchase of a large variety of products and services. With expensive products and services like cars, vacations, or housing, the vast majority of husbands and wives engage in more joint decision making.

Given women's increasing wealth and income-generating ability, financial service firms such as Citigroup and Merrill Lynch have expanded their efforts to attract women investors and business owners.

And marketers are realizing that men aren't the main buyers of high-tech gizmos and gadgets these days. Women actually buy more technology than men do, but consumer electronics stores have been slow to catch on to this fact.

### **Culture Influence on the Shopper**

Culture has a strong influence on shoppers' behavior, as this refers to a complex set of values, ideas, beliefs, attitudes, and other meaningful symbols, created by human beings to shape human behavior and artifacts of that behavior as they are transmitted from one generation to another. Within a given culture, sub-cultures therefore, arise due to geographic, religious, nationality, and ethnic differences. Culture is the accumulation of shared meanings, rituals, norms, and traditions among the members of an organization or society.

A culture is a distinctive heritage shared by a group of people that passes on a series of beliefs, norms, and customs. The Indian culture stresses individuality, success, education, and material comfort; there are also various subcultures like Christianity, Islamic, Jainism, Buddhism.

The impact of culture is so natural and automatic that its influence on behaviour is taken for granted. Culture exists to satisfy the needs of the people within a society.

The term culture normally refers to the person's values, preferences, wants and desires, which dictate or determine, to a great extent, the person's behaviour. These influences emerge from the environment, education and experiences encountered by the person through childhood and adulthood. Middle class people desire to play safe, like security, and do not like to take risks. The lower middle class does not have much of an income, and office clerks tend to be a little suspicious.

Culture plays a vital role in shaping human behavior. To understand human behavior, a prior study of culture is necessary. Culture helps us to understand people beyond the biological and physiological factors. It implies that all people are biologically same but their behavior and acts depend on their cultural background. Culture helps us make decisions and influences how we react to situations. It determines how people dress, speak, and eat. Our culture helps us perform the every day activities of life without really having to think about them. This is important because if people had to worry about the simple tasks in life, they would not be able to concentrate on the more complex activities.

Culture refers to the learned meanings, values, and behavior patterns that are shared by a society and it includes the knowledge, beliefs, art, law, morals, customs and habits acquired by a person as a member of society.

Culture has significant influence on the consumption pattern of shoppers. For instance, the food habits across the nations vary widely. It has been recognized that nearly all purchases of goods are made either to provide physical comfort or to implement the activities that make up the life of a culture. So, understanding of culture enables the marketers to interpret the reaction of shoppers to alternative marketing strategies.

### ***Cultural Values***

Cultural value is defined "as a widely held belief or sentiment that some activities, relationships, feelings or goals are important to the community's identity or well-being."

Shopper behavior is dependent on cultural values and their actions and behavior will be to reach or evade the set of values. Values act as a set of standards, which the shopper will refer to before taking a decision. Values determine people's actions and thoughts. Values get inculcated in people as they interact with fellow human beings of the society. Strategic decisions taken by the retailer should take into consideration these cultural values.

Culture offers direction and guidance to the members of the society for their well being and survival. Culture is dynamic, and it evolves gradually and continuously to meet the needs of society.

The social class denotes different social strata or layers within a group. For example, if the person is from a family of office goers, then clerical thinking will be strong. But, if the background is small business, then risk taking will appear in his behavior. On the other hand, if the person is from a farming background, then some caution will appear in the behavior. The predictable behavior of such people – prefers household goods, buy nothing very costly, rarely go in for something new.

But the predictions may not hold true for all. The behavior may be different, after all. The problem is, without predicting behavior of consumers, retailers cannot plan for selling.

These psychological factors help in identifying and understanding consumer lifestyles:

- **A personality** is the sum total of an individual's traits, which make that individual unique. They include a person's level of self-confidence, innovativeness, autonomy, sociability, emotional stability, and assertiveness.
- **Class consciousness** is the extent to which a person desires and pursues social status. It helps determine the use of reference groups and the importance of prestige purchases. A class-conscious person values the status of goods, services, and retailers.
- **Attitudes (opinions)** are the positive, neutral, or negative feelings a person has about different topics. They are also feelings consumers have about a given retailer and its activities. Does the consumer feel a retailer is desirable, unique, and fairly priced?
- **Perceived risk** is the level of risk a consumer believes exists regarding the purchase of a specific good or service from a given retailer, whether or not the belief is correct. Perceived risk is high if a retailer or its brands are new, a person is on a budget, a person has little experience, there are many choices, and a purchase is socially visible or complex.
- The importance of a purchase to the consumer affects the amount of time he or she will spend to make a decision and the range of alternatives considered. If a purchase is important, perceived risk tends to be higher, and the retailer must adapt to this.

## Summary

There are variables that influence the nature of purchasing decisions within the family. They are culture, subculture, social-class, reference groups, stages in lifecycle, geographical location, mobility and children. Culture offers direction and guidance to the members of the society for their well being and survival. Culture is dynamic, and it evolves gradually and continuously to meet the needs of society.

Various segments in Indian society differ widely in their consumption patterns. We can attribute the differences to psychological, social and cultural factors. When differences are so wide in one nation, it is likely that more diversity will exist among the members of different countries. International retailers should understand the cross-cultural differences among the shoppers of different countries to make specific strategies to penetrate the foreign markets.

## Self Assessment Questions

1. Examine the influence of culture on shopper behavior.
2. What are the cultural values?
3. Discuss the influence of role and status on shopper behavior.

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## Lesson 2.4 - Understanding Customer Needs and Motives

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### Learning Objectives

- Know the nature of marketing environment.
- Understand the distinction between external environment and internal environment.
- Examine the nature and kinds of Marketing Information Systems

### Introduction

Every shopper is always interested to satisfy his needs for which he goes for buying a product or service. The retailer tries to recognize such needs and tries his best to satisfy those with a profit for the organization. The quality of a retail strategy depends on how well a firm identifies and understands its customers and forms its strategy mix to appeal to them. This entails identifying consumer characteristics, needs, and attitudes; recognizing how people make decisions; and then devising the proper target market plan. It also means studying the environmental factors that affect purchase decisions.

In addition to understanding general demographic and economic trends, it is important to recognize the many motivations that drive consumers to shop, such as browsing, meeting a specific need, having the experience/fun, and comparing prices.

An individual consumer's needs and rationale for purchasing will differ throughout any given day, week, month, or indeed, a lifetime. Retailers will not be able to meet all consumers' needs at all times; however, those that can foresee and adapt to changing consumer needs and tastes will survive and prosper.

**Consumer satisfaction and confidence:** Many shoppers are now more knowledgeable and cosmopolitan; more aware of trends in tastes, styles, and goods and services; and more sophisticated. Nonconforming behaviour is widely accepted since consumers are self-assured and better appreciate the available choices. Confident shoppers will experiment more. For example, "female shoppers want a retail space that's comfortable and has fewer but better choices." Retailers need to see that "It is not just about understanding the functional benefit of the brand or product, but understanding things like personal resonance – what it says about her and how it helps her express herself".

When developing a target market profile, a retailer should identify key consumer needs and desires. From a retailing perspective, needs are a person's basic shopping requirements consistent with his or her present demographics and lifestyle. Desires are discretionary shopping goals that have an impact on attitudes and behaviour. A person may need a new car to get to and from work and seek a dealer with Saturday service hours. The person may desire a Porsche and a free loaner car when the vehicle is serviced but be satisfied with a Saturn that can be serviced on the weekend and fits within the budget.

Consumers today spend proportionately less on basic necessities, such as food, clothing, and shelter, than they did 25, 35 or 50 years ago. But they spend more on discretionary purchases that are motivated by emotion and desire."

When a retail strategy aims to satisfy consumer needs and desires, it appeals to consumer motives, the reasons for their behavior. These are just a few of the questions to resolve:

- How far will customers travel to get to the retailer?
- How important is convenience?
- What hours are desired? Are evening and weekend hours required?
- What level of customer services is preferred?
- How extensive a goods/service assortment is desired?
- What level of goods/service quality is preferred?
- How important is price?
- What retailer actions are necessary to reduce perceived risk?
- Do different market segments have special needs? If so, what are they?

Consumer patronage differs sharply by type of retailer. Thus, it is vital for firms to recognize the venues where consumers are most likely to shop and plan accordingly.

- Some supermarket customers also regularly buy items carried by the super market at convenience stores, full-line department stores, drugstores, and specialty food stores.
- Some department store customers also regularly buy items carried by the department store at factory outlets and full-line discount stores.
- The majority of web shoppers also buy from catalog retailers, mass merchants, apparel chains, and department stores.
- Cross-shopping is high for apparel, home furnishings, shoes, sporting goods and personal care items.

Environment comprises external factors over which the organization and management has little control. Environment provides resources and opportunities. It also puts limits and constraints on the organization and influences its survival and growth.

A business concern is a socio-economic system of a larger environmental system. It must continuously adapt and adjust to the opportunities and threats or risks and uncertainties presented by changes in the environmental forces. If an organization acts as a closed system, always looks inside and focuses its attention exclusively on the inner environment and it fails to keep up with changes in the outer environment, e.g., changes in consumer demand, changes in market conditions and degree of competition, changes in technology, political and legal conditions, economic conditions, labour relations etc. It is bound to lose opportunities and will face unforeseen threats. The company will have no survival and growth; if it does not respond to the environmental demands.

A business organization does not live in a vacuum. The company and its environment are mutually interdependent-interacting with one another continuously. It can survive and thrive only when its environment receives its output, services and inclined to approve and endorse its activities.

## **Marketing Environment**

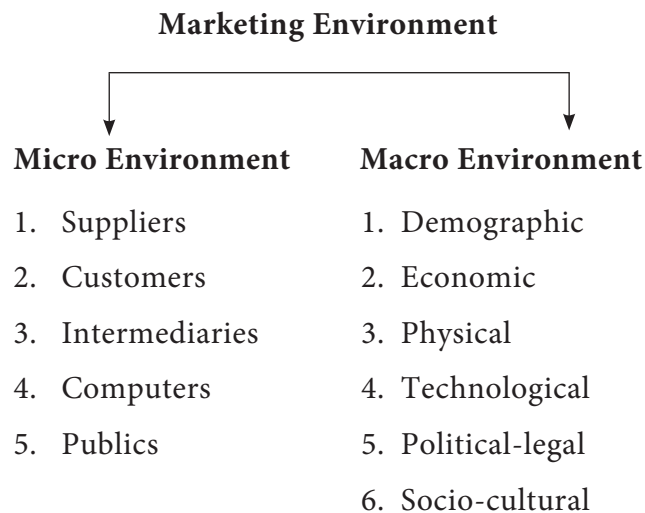
Marketing environment always pose challenges to the marketers for their success. Careful scanning of such environment is important for both the shopper as well as the retailer. Marketing activities of a company are affected by a large number of environmental factors that surround the company. These factors or forces influence the decision-making capability of the enterprise. These forces constitute the marketing environment. A marketing system of a company should operate within the framework of environmental forces. According to Philip Kotler “marketing environment refers to external factors and forces that affect the company’s ability to develop and maintain successful transactions with its target customers”.

For example, the relevant environment for MRF Tyre manufacturing company may be the manufacturers of automobiles (Two-Wheelers and Four Wheelers) and buyers, the tyre manufacturing technology, the tax structure, import-export regulations, the dealers, competitors etc., in addition to these, the company has to consider its own resources like production capacity, technology, marketing network, sales force, finance, human resources etc. The marketing environment offers both opportunities and threats. Business enterprises should use their marketing research and intelligence systems to watch the changing environment and must adapt their marketing strategies to suit environmental changes.



The marketing environment consists of:

- (1) Micro environment /Internal environment, and
- (2) Macro environment/External Environment



The micro environment refers to use company's immediate environment. It includes the forces like company suppliers, market intermediaries, customers, competitors and publics.

#### **Micro/Organizational Internal Environment**

Marketing management works in tandem with such groups as top management, finance, R & D, purchasing, manufacturing and accounting in the formulation of marketing plans. All these interrelated groups form the internal environment. Top management sets the company's mission, objectives, broad strategies and policies. The marketing managers can take decisions taking into consideration the policies made by top management. Marketing plans of marketing managers must be approved by top management before they are implemented.

Marketing managers work closely with other departments of the company. Finance is concerned with mobilization and utilization of funds to carryout the marketing plan. The R & D department focuses on the designing and developing innovative products. Purchasing department is concerned with procuring supplies and materials, whereas manufacturing department concentrates on producing the required quantity and quality of products. Accounting department by measuring revenues and costs helps marketing in knowing how well it is achieving its objectives. Thus, all these departments influence marketing department's plans and actions.

### (1) *Suppliers*

Suppliers are individuals and firms that provide the resources like raw materials, components and sub-assemblies etc., which are needed by the company to produce goods and services. The company should always be on the look out for the potential suppliers. It should identify and choose the suppliers who can supply the best mix of quality, quantity, reliability, credit facility, warranties and low price. This will have an impact on company's production operations and quality and cost of output. These factors can provide a competitive advantage in the market. This calls for effective supply chain management, better materials management and inventory management. Marketing managers should monitor the price trends of their important inputs. Increase in supply costs may force the company to increase the price of its output. This can reduce the company's sales volume.

### (2) *Marketing Intermediaries*

Usually, every manufacturer has to appoint a number of intermediaries in assisting him in promoting, selling and distributing the goods and services to ultimate consumers. The intermediaries include middlemen, physical distribution, firms, marketing, services agencies and financial intermediaries.

- (A) ***Middlemen***: These are distribution channel firms (wholesalers, retailers, agents etc.) that help the company find customers or make sales to them. These middlemen have a substantial influence on the business enterprises.
- (B) ***Physical Distribution Firms***: These firms help the company to stock and move goods from their points of production to their consumption warehouses are firms that store and protect goods before they move to the next destination. Transportation firms include rail roads, trucking companies, airlines, etc., that specialize in moving goods from one location to another. The marketing manager has to select the most cost-effective storage and mode of transport by balancing the considerations of cost, delivery, speed and safety.
- (C) ***Marketing Services Agencies***: They are the marketing research firms, advertising agencies, media firms and marketing consulting firms that help the business enterprise in identifying its target market. The marketing manager has to choose these firms on the basis of their performance creativity, quality, service and price.
- (D) ***Financial Intermediaries***: They include banks, insurance companies etc., that help in financial transactions of the company. The rising credit costs, and limited credit of these intermediaries can influence the marketing performance of a company. Hence, the company has to maintain good relations with these intermediaries.

### (3) Customers

The business enterprise must study its customers closely. The customers of a company can be grouped as given under:

- (i) *End Users*: They are the ultimate consumers. They may be individuals, and householders.
- (ii) *Industrial Consumers*: Industrial consumers are organizations which buy goods and services for producing some other goods and services.
- (iii) *Reselling*: These are intermediaries who purchase goods and services with a view to resell them at a profit.
- (iv) *Government and other non-profit customers*: These customers buy goods and services in order to produce public utility services. They transfer the goods and services to others who need them.
- (v) *International Customers*: They are individuals and organizations of other countries who buy goods and services either for consumption or for industrial use. Such buyers may be consumers, producers, resellers and governments.

### (4) Competitors

If a company wants to be successful, it must satisfy the needs and wants of consumers better than its competitors do. Marketers must gain strategic advantage by positioning their offerings strongly against competitor's offerings in the minds of consumers.

### (5) Publics

A public is any group that has an actual or potential interest in or impact on an organization's ability to achieve its objectives. The following are the types of publics:

- (i) *Financial Publics*: Financial publics influence the firm's ability to mobilize funds. Banks, stock-holders, financial institutions are the major financial publics.
- (ii) *Media Publics*: They include news papers, magazines, radio and TV. They carry news, features, and editorial opinion.
- (iii) *Government Publics*: The Company must know the concern of the government on certain issues. Marketers must often consult the company's lawyers on issues of product safety, veracity of advertisement claims etc.

- (iv) *Public Interest Groups* which question the marketing decisions of companies. Consumer organizations, environmental groups show concern towards healthy products and healthy environment. The company must be in touch with these groups.
- (v) *Local Publics*: Every company has local publics such as people living in the neighborhood and community organizations. The company should have good relations with these people.
- (vi) *General Publics*: A company needs to be concerned about the general public's attitude towards its products and activities. The public image of the company helps in selling more goods.
- (vii) *Internal Publics*: They include company workers, managers, board of directors etc. Large companies use newsletters and other means to inform the internal publics. When employees feel good about their firms, this positive attitude spreads to the external publics.

## Macro Environment

These environment variables are uncontrollable in nature, but all these have strong effects on marketing activities, to which a retailer is also not an exception. Shoppers behavior is also influenced such forces. That is why proper scanning of the external variable is very important for the retailers.

- (1) **Demographic**: Demography the study of population with regard to age, sex, education etc. In Marketing, demographic environment refers to the level of population growth, age, sex, education patterns, family influences and shifts. Growing population indicates growing market particularly for baby products. If a baby boom is anticipated, the market potential is tremendous. If there is reduction in birth rate and the lower rate of growth of population, many companies specializing in baby products will have to adjust their marketing program accordingly. Demographic analysis deals with quantitative elements such as age, sex, education, occupation, income, geographic concentration and dispersion, urban and rural population etc. Thus, demography offers consumer profile which is very necessary in market segmentation and determination of target markets. Demographic characteristics change swiftly. These changes influence the behaviour of consumers which in turn will have a direct impact on the marketing activities of the firm. The company has to alter its existing marketing policies, practices, and strategies. Hence, marketer should have continuous watch on the changes in population structure.

- (2) **Economic Environment:** Economic condition plays a significant role in the marketing system. High economic growth assures higher level of employment and income and this leads to marketing boom in many industries. Marketing plans and programs are influenced by many other economic items such as interest rates, money supply, price level, consumer credit etc. The economic factors like trends in GNP, pattern of income distribution, expenditure pattern, trends in consumer savings in the form of bank account, investment in bonds and securities, insurance policies etc., and cost of living, disposable income, influence marketing decisions of a company. Anticipation of future economic conditions will enable the firm to devise appropriate marketing strategies.
- (3) **Physical Environment:** The physical environment also affects the business. Marketers must consider the physical environmental factors such as the quantity and quality of forest wealth, the exploitation of sea products, the health hazards out of pollution etc. The marketers have to consider the air pollution, noise pollution, and water pollution caused by their companies.

Natural renewal forces are forest, food products from agriculture or sea etc. Non-renewable natural resources are oil, coal, minerals etc. The government is trying to conserve and recycle its natural resources through legislation and vigorous campaign. The companies have to take various measures to protect the environment.

- (1) **Technological:** In any country, the state of technology plays an important role in determining the type and quality of goods to be produced and the type of plant and equipment to be used. Hence, every company has to be actively engaged in technological forecasting. Advancements in automation and information technology will create challenging situations for businesses in the future.

The technology is a major force in business. A new development may bring a new industry into existence or makes an existing profitable product quite absolute. It reduces the life cycle of an existing product. Companies that do not keep up with technological change soon will find their products outdated and they will miss new product and market opportunities. Presently, scientists are working on the following promising new products and services.

*Solar Energy*

*Commercial space shuttle*

*Cancer cures*

*Household Robots*

*AIDS cures*

*Electric Cars*

*Desalinization of sea water*

*Voice and gesture Controlled computers*

The major breakthroughs in the above mentioned areas will offer opportunities as well threats to the existing businesses.

- (1) **Political and Legal Environment:** It provides a legal framework within which the marketer is to function. The political parties, political stability, government intervention in business, trade policy, industrial policy, influences the business operations in any country. For instance, bottling and sale of Coca-Cola was discontinued in India in the late seventies because of government policy of restricting the growth of multi-national companies in the country. In 1989, the government allowed Pepsi to operate in India. In 1991, the government revised its industrial policy which liberalized licensing procedure, imports and exports and inflow of foreign investment and technology into the country. In 1969 banks were nationalized by government. Now that the government is trying to privatize (denationalize) public sector banks by reducing government stake to 33 per cent. Certain areas like power, oil, insurance, communications etc., which were earlier reserved for public sector, are now thrown open to private participation. The consumer durables are allowed to import. As a result, the companies like BPL, Videocon, Onida etc., are facing severe competition from Akai, Sony, Panasonic, Aiwa, LG, Samsung, Sharp, Sansui, Whirlpool etc. The competition is getting more and more tough each passing day. The trend towards globalization and creation of World Trade Organization (WTO) has posed new challenges for the Indian companies.

The Government of India has enacted a number of laws, rules, regulations, which have varied impact on marketing policies and strategies of business. For instance, FEMA and MRTP Act, Consumer Protection Act, etc., influence and regulate the decisions of companies.

- (2) **Socio and Cultural Environment:** The socio and cultural factors also influence the business decisions. In India, the attitude of people regarding food and clothing has undergone a dramatic change as a result of such factors as industrialization, employment of women in offices and increased level of education. This has given rise to the growth of food processing and ready-made garments. The companies should produce only those goods which are beneficial to society. There are scores of pressure groups like social workers, social organizations, social reformists, activists, consumers forum which will impose restrictions and influence the decisions of the companies.

Religion is an important element of culture which has implication on marketing. For instance, Hindus worship the cow as sacred and do not eat beef. Products made of beef



meat do not have market among Hindus. Therefore, the culture of the society influences the demand pattern to a certain extent.

Thus, the study of a number of micro and macro environmental factors reveals that the companies operate within the framework of these ever-changing environmental forces. These forces offer opportunities as well as threats. The companies respond to these changes in the environmental factors according to their own capabilities like finance, production, marketing, human resources, technology etc.

### **Information System**

Role of the marketing information system is very important for the growth of retail marketing. This helps in marketing environment analysis. An information system is an organized way of sending, receiving and recording messages. It includes both formal flow of information and informal flow of information. Essentially, information should be adequate, up-to-date, reliable, timely and understandable. Now-a-days information is regarded as a basic resource of a company along with other resources like personnel, materials, machines, and facilities.

### **Marketing Information System**

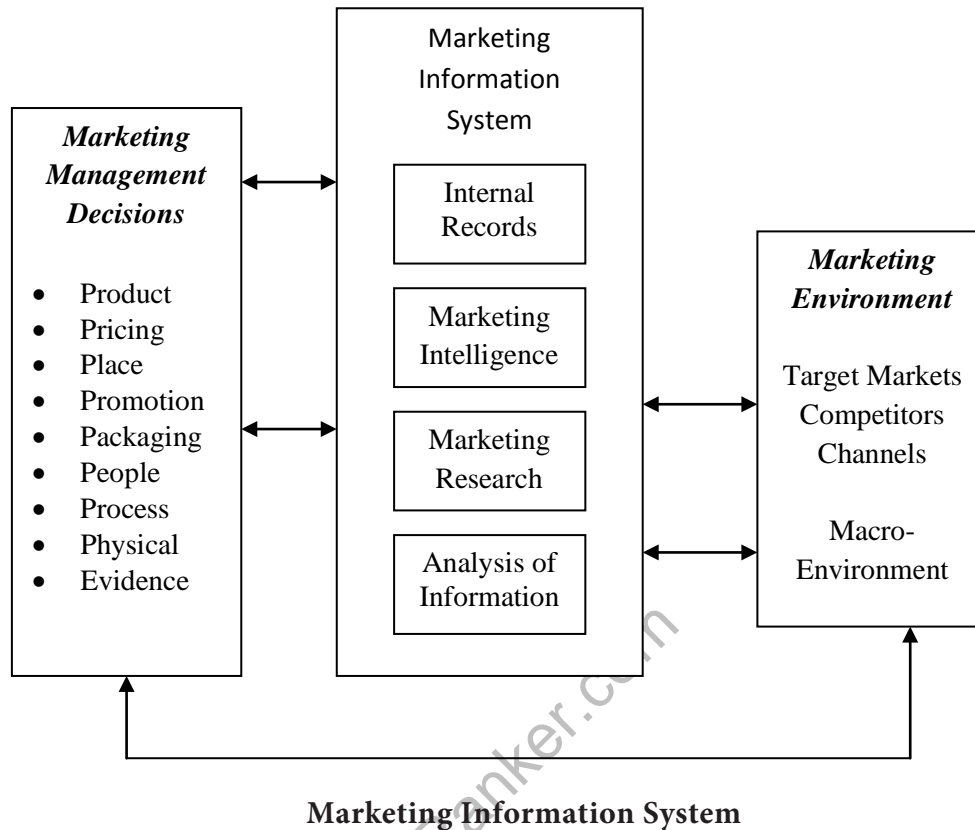
Marketing information system (MIS) is defined “as a system that consists of people, equipment, and procedures to gather, sort, analyze, evaluate and distribute needed, timely, and accurate information to marketing decision maker.”(Kotler).

Information has been defined as the cues or guidelines which have the potential to influence managerial decision. Information provides the means by which problems are recognized, defined, finally solved. If the information is more accurate, more reliable and more timely, it is easier for the manager to make a final decision. Lower management is interested in operational information for taking operational decisions. Middle management is interested in tactical information for taking tactical decisions.

Top management wants strategic information for taking strategic decisions. Hence, there is a need for a good marketing information system continuously as an on-going process to facilitate sound marketing decisions on marketing plans, policies and program. Usually, marketing decisions are made with full awareness of market conditions, competition, public policies, and customer needs and wants. The marketer needs basic information regarding products, prices, market conditions of demand and supply, consumer needs and desires, competition, dealers, transportation, warehousing and inventory etc.



As shown in figure, marketing information system has four sub-systems i.e., internal records, marketing intelligence, marketing research and analysis of information. The sub-systems are interdependent and interrelated so as to meet the requirements of marketing management. They also have active interface with the marketing environment. In other words, they exchange information with target markets, channels, and economic, social and political forces in the external environment.



Internal records are compiled from information gathered from sources within the organization such as accounting department, production department, customer service department, sales department, etc. Marketing intelligence is the information about changes in the marketing environment. This information helps the marketing department to prepare and modify marketing plans. It is everyday information about developments in the marketing environment that helps managers prepare and adjust marketing plans. The marketing intelligence system determines what intelligence is needed, collects it by searching the environment, and delivers it to marketing managers who need it. Marketing intelligence can be gathered from many sources. Much intelligence can be collected from the company's own personnel – executives, engineers and scientists, purchasing agents and the sales force. Marketing research is designed to collect and analyze information about the problems faced by the management. The information gathered from different sources is processed and analyzed with the help of computers to draw conclusions to be used by the marketing managers.

Marketers are required to forecast the direction, and intensity of these future changes in the environment and then adjust their plans to meet anticipated changes in the environment. Accurate sales forecasting involve collection and processing of information. If we have organized information system, we will have more accurate and reliable sales forecasts, marketing plans and programs and we will have profitable marketing activities, minimum marketing risks and uncertainties. Thus, a marketing research is a part of marketing information system.

### **Kinds of Marketing Information Systems**

Basically, there are three kinds of systems which are adopted for this purpose:

1. **Marketing Control System:** It provides with the management information relating to the trends and problems in the market as also the marketing opportunities. The data provided cover numerous aspects of sales and provide the management with a basis to assess its performance in the past. Then this becomes a pointer for the future. The system is useful for controlling the marketing cost and finding out reasons for poor sales.
2. **Marketing Planning System:** It furnishes information required for future planning of products in a most convenient form. It provides necessary materials even to decide alternative products in addition to the existing ones. The problems handled by this system are: Sales forecasting, Promotional Planning, Credit management, etc.
3. **Marketing Research:** This is useful for analyzing and solving current marketing problems. It measures characteristics of different types of customers and also their behaviour under different conditions. Marketing research handles problems concerning advertising, price, etc.

In short, marketing information system is a set of procedures and methods for the regular, planned collection, analysis and presentation of information for use in making marketing decisions.

### **Marketing Information System and Marketing Research**

Marketing research and marketing information systems are closely inter related and complementary, marketing research is a necessary part of the development of an MIS with respect to –

1. The specification; of the information required (e.g., what details are needed to prepare an advertising budget),

2. The determination of the relationship of the variables involved (e.g., how readership of an advertisement relates to sales).
3. The collection of the data required (e.g., compare the difference in sales of an advertised item and a non-advertised item).

According to William J. Stanton, the marketing information systems were developed generally in the 1960's. Marketing research, on the other hand, identified as a separate activity predates the marketing information systems by some fifty years.

<i>Marketing Information System</i>	<i>Marketing Research</i>
1. It suggests methods to prevent and solve the problems for the whole organization under different perspectives, e.g., sales, advertisements, cost of distribution, etc.	1. It presents the problems pertaining to a particular field of activity.
2. The past experience forms the basis for future and the results are future-oriented.	2. It is only a post-mortem of what had taken place already, in most cases.
3. It is a fairly wide concept and includes marketing research as one of its elements.	3. It remains as a source for contributing necessary information to the MIS.
4. It is a continuous process.	4. It operates more often on specific problems.
5. It anticipates, prevents as well as solves problems related to marketing.	5. It is concerned with finding out solutions for marketing problems.

*The other differences could be stated as follows:*

In spite of these differences, one cannot question the usefulness of each of these functions. Moreover, both of them have one thing in common: they are both management functions and provide necessary information to the management.

## Summary

Successful retailers realize the marketing environment presents a never-ending series of opportunities and threats. Marketing Information system and Marketing Research means to avail such opportunities. Retailers are required to analyze the needs and trends of the marketing environment which is comprised of both external and internal environment. Marketing activities of a company are affected by a large number of environmental factors that surround the company. These factors influence the decision making capability of the enterprise. These forces constitute microenvironment, and macro environment. The

microenvironment includes suppliers, customers, intermediaries, and publics. While the macro environment consists of demographic, economic, physical, socio-cultural factors. Information system has been defined “as a system that consists of people, equipment, and procedures to gather, sort, analyze, evaluate, and distribute needed, timely, and accurate information to marketing decision maker” Marketing research is a part of marketing information system.

### Self Assessment Questions

- 1) Explain with examples, the macro environmental factors that affect the marketing system of a company.
- 2) Discuss the nature and kinds of marketing environment.
- 3) Elucidate the following:
  - a) Marketing environment
  - b) Micro environment
  - c) Macro environment
- 4) Write a short notes on:
  - a) Marketing information system
  - b) Marketing research

### CASE STUDY

#### Subiksha Retail Chain

Subhiksha story has been highlighted in the media as a success story. The saga of Ramaswamy Subramanian of Subhiksha is one which inspires many of us, a first generation entrepreneur who went on to build the largest retail chain in India. More can be read about him in the book ‘Stay hungry and Foolish’ which documents the stories of 25 entrepreneurs from IIMA.

#### The saga of the rise and fall of a Retail Chain

**Ramaswamy Subramanian**, (RS) an electronics engineer from IIT Madras and an MBA-gold medalist from IIM-A, who drew early inspiration for his model from Sam Walton of Wal-Mart. R.S became an entrepreneur and started a retail chain called Subhiksha Trading Services. R.S looked at all sorts of names; and finally he chose the Sanskrit word

Subhiksha (*prosperity*) because it reflects the Indian ethos and it is a word that can be understood all over India. RS feels that “What we were trying to do was different from the western model; our model is truly Indian. Our theme was, why pay more when you can get it for less at Subhiksha?”

It was in 1997 that discount food and grocery retail chain Subhiksha set up its first store as an experiment in Tiruvanmiyur, a suburb of Chennai with an investment of around ₹ 4-5 lakh (₹ 400,000-500,000). R.S thought the day he opened, there would be a stampede because the prices were low and he would sell goods of ₹ 30-40 lakh (₹ 3-4 million) by the month end. But there was nothing of that sort! He sold goods of only ₹ 5-6 lakh (₹ 500,000-600,000) in the first month. No touch-and-feel experience of products for consumers here. Instead, they would write out their orders on a form after seeing a catalogue of goods stocked at the store and would be given a token number. Behind a counter, away from sight, would be the goods which staff would pile up on the counter based on the order form. Shoppers could sit on chairs and watch a TV screen and would be alerted to their order by a buzzer and the token number flashed, akin to a bank. And, on the bill, right at the bottom would be the powerful statement: today's saving for you!

The promoters led by Subramanian hold a 60 per cent stake in Subhiksha, ICICI Venture 23 per cent and other institutions 15 per cent while two per cent is held by the employees.

He has had many battles – with FMCG companies, Pharma distributors and even with Aavin, a TN government cooperative which retail milk and milk products, for selling much below the maximum retail price, a battle which Subhiksha won in court. In retail, Subhiksha would be one of the early entrants, so it would have the learning curve much to its advantage. He allocated a ₹ 5 crore (₹ 50 million) corpus to it and entered the retail business. There was a lot of thought process behind it. He wanted to attract not the top end customer but the *aam aadmi*. Just before entering the retail sector, R.S. has conducted market survey to understand the consumer behaviour of below middle class people in Chennai.

### **New Business Model**

Subhiksha evolved a model of retail which is unique to India or as Mr. R Subramanian would like to put it the ‘**Indian Format of Retailing**’. He did not try and ape the international retail model, of having larger stores with air conditioning and other extra frills. The typical shops are much smaller in size and in prime localities in a city with no air conditioning and fancy shelves and designer lights. The value proposition that Subhiksha offers to the typical India consumers is loud and clear, first convenience - by locating them

in key locations within the city they are actually more accessible than their larger cousins, so no need to drive and reach them. Moreover, the consumer can afford to buy in smaller quantities and more frequently. The second value to the customer was in terms of savings, most of the products sold in Subhiksha would be sold on discount. As any one who bought at Subhiksha would have observed the clear price advantage that they would get.

A no-frills, low-cost operation. R.S. was very clear even then that neighborhood discount stores selling grocery and consumer goods would be the model he would follow – buying cheap and selling cheap. No fancy air-conditioned stores but workaday stores that would fill at least 75 per cent of the shopping basket of a typical middle-class household. While he scaled up the stores rapidly in the Chennai and Tamil Nadu markets using this model, along the way many of the stores became a bit grungy and complaints of stock outs of brands became common. At the core of Subhiksha, is its value-for-money offering.

The Subhiksha model is a scaleable and fundable model which caters to a large, price sensitive segment of the consuming public. “We are catering to the consumer at the bottom of the pyramid who is not looking for an air conditioner but goods at lower prices,” asserts R.Subramanian, MD, Subhiksha agreeing on the fact that a Subhiksha store does not match the ambience level of other retail chains but stresses they are hygienic and tidy. Each of Subhiksha’s stores is 2,000 sq.ft in size and mainly stocks vegetables, fruits, groceries. Some stores have added FMCG and OTC medicines. On a trial basis they are adding Mobile currency recharging facilities in select stores and may also have a separate section for mobile retailing. It has 35 stores in Bangalore and further consolidating its position in Tamil Nadu.

### **Positioning Strategy**

While FoodWorld targets the upper middle and rich class customer segments and focuses more on ambience and quality, Subiksha Trading Services Pvt Ltd (Subiksha) – a Pharma and FMCG products retail chain based in Chennai focuses on the middle class customer segment by emphasizing hygiene, quality and reasonable pricing. Discount pricing is the USP of Subiksha, as it offers a flat 10% discount on maximum retail price (MRP) of all products it sells. The Subiksha store changed the opinion of many middle class customers that big departmental stores were for the upper crest of society and that they could not afford the high prices at such stores. The price discounting, coupled with good quality and focus on hygiene at Subiksha stores, attracted middle class families, which had until then bought their monthly provisions from local grocers who offered moderate quality products at reasonable rates.

## Supply Chain Management

Most of the products are procured directly from the producers or manufacturers. Purchase of goods is centralized through 14 hubs around the country which, in turn, consolidate and parcel out the goods to each of the stores. With desegregation being the buzzword, deals are struck directly with companies, cutting out the distributors and middlemen. At last count, the chain had 125 stores in Mumbai and 175 stores in New Delhi, which is now its single largest market. The Subhiksha brand too has undergone a change.

A few years ago it was perceived as a niche Chennai or South-based retailer, but is today a national brand. Stores in the new markets are all self-service and better stocked and serviced than earlier. The chain has an aggressive private label initiative in place which offers the whole range of grocery as in-house brands, including *atta* and even FMCGs ranging from detergents to shaving creams. Today 25 per cent of company sales come from private labels. With stores expansion, range of brands too was increased from around 400 stock keeping units to almost 1,400 SKUs. With talent drawn from the top FMCG companies, it took its hub-and-spoke model, to other States where each region head operates as if running a separate business division.

## On Expansion Mode

But 10 years down the line, even as several large corporates with deep pockets in retail still grapple with scale and the roll-out of their stores across the country, Subhiksha has emerged a pan-India retailer with 1,665 stores right across the country in 110 cities, among the largest retailers of fast moving consumer goods in most markets and the largest national mobile phones retailer which sold two million phones since it entered this space two years ago.

Year	No. of outlets
1997	1
1999	14
2000	50
2002	130
2006	150
2008	1580
2009	1665

### Expansion of No. of branches

Source: Compiled from published sources



By March 1999, the company started expanding rapidly. From 14 stores, it expanded to 50 stores by June 2000. In the next two years, the company had 120-130 stores across Tamil Nadu. Presently, there are 145 stores all over Tamil Nadu. South India based neighbourhood chain of retail stores; Subhiksha Trading has planned an ambitious ₹ 300 crores expansion across various states [New states - Kerala & West Bengal] in India including Mumbai metro.

Subiksha currently has stores in Karnataka, Gujarat and Andhra Pradesh. The discount retail chain, of late has been in the news for all the wrong reasons.

### **Future Plans**

“R.S. has evolved as a retailer in understanding the Indian consumer’s needs and psyche. His vision is to make Subhiksha a \$5 billion company and the country’s largest retailer by 2011. In fact Subhiksha plans to open 2,200 stores in the country by the end of 2009. Moreover, the company is also planning to foray into the consumer durables segment and is investing a whopping ₹ 6 billion by the end of 2009.

### **Short Comings**

There are several shortcomings like poor inventory management, financial mismanagement and poor human resource management and accounting management have lead to the present crisis in Subhiksha retail chain.

### **Inventory Management**

Only thing which went against them that was that one could not be got all brands that they wanted in their outlets; essentially the choice was limited. It could have been driven by strategy of stocking a few brands on which they were able to get a good offer from the manufacturers or supply chain bottlenecks. So there would be many consumers who would come and buy a few products from them and go on to buy the others from another retailer. The fundamental economics of small format grocery retailing in India.

Economics of small-format grocery retailing in India is very challenging due to strong competition from neighbourhood kirana stores or vegetable vendors. Subhiksha tried to compete with neighbourhood grocery stores on the promise of discount on MRP, and to fulfil this promise, while preserving the required margin, they need to be able to negotiate substantially lower rates with suppliers. R.S. business model was indeed outstanding and arguably even copied by the likes of Kishore Biyani and Mukesh Ambani'

Sources in Subhiksha reveal that the chinks in Subhiksha's armour had started being revealed in mid-2008 as no records of inventories existed on the one hand and pilferage was at an all time high (*about 15-20%*) on the other. Think about it, if you were expanding at such a pace, would you not at least look back and check whether all your stores are indeed churning profits or are plagued by huge losses? According to sources, the key tenets of organized retail – customer service and supply chain management – were also conspicuous by their absence. When compared to rivals like KB's Fair Price and Six-Ten, Subhiksha's stores appeared like poorly stocked cousins

### **Financial Management (Liquidity Crisis)**

Subhiksha ran into serious liquidity crisis around September 2008 but the management had kept the lenders and investors in the dark about the financial position of the company

Premji bought the stake from ICICI Venture for ₹ 230 crore in March 2008. The company started facing liquidity problems much later. Ramnath maintained there was no whiff of liquidity crisis facing the company before September 2008. Company's managing director R Subramanian had earlier said Premji's funds went to ICICI Venture's kitty and not infused in the company. ICICI Venture had earlier 33 per cent stake in the company which came down to 23 per cent after selling 10 per cent to Premji. Currently, it has an exposure of ₹ 90 crore to the company besides a loan of ₹ 50 crore given in September 2008.

Renuka Ramnath, managing director and CEO of ICICI Venture said, "We are minority shareholders and do not have management control. We are talking to lenders and investors like Azim Premji to find a solution. We will support any revival package for the company," she said. After deciding to stop selling fruit and vegetables at its stores, food and grocery retailer Subhiksha has now postponed plans to open consumer durable outlets.

The company had started getting legal notices for outstanding payments and field visits found that the inventories were very low in various stores. Subhiksha's operations came to a standstill due to non-payment of salaries, huge debt burden and arrears to suppliers.

Subhiksha's Managing Director R Subramanian said that Subhiksha needs liquidity injection of around ₹ 300 crore to restart its business and that the company is in talks with existing lenders to raise money. He added that the growth of 1,600 stores and ₹ 4,000 crore turnovers in 2009 has been achieved through high level of debt. He also confirmed that employee salaries have not been paid since October — the retail chain employs about 15,000 people.

The cash-strapped retail chain is currently undergoing a corporate debt restructuring exercise, with lenders reviewing its books. ICICI Ventures which holds 23% stake in the discount retailer is busy trying to dodge the heat, claiming that they have no control over what's happening at Subhiksha. Says ICICI Venture MD & CEO Renuka Ramnath: "With the 23% stake we hold (*in Subhiksha*) we can not even stop a special resolution, and for that one needs to have a 26% stake," adding that they had no idea of the liquidity crunch at Subhiksha before September 2007.

Typically, the problem with Subhiksha is the money crunch. But it is not a problem accentuated by the present slowdown alone, running much deeper and raising questions about the retailer's ability to bounce back in the near future. The primary problem is that of its too fast and too furious debt-led expansion. Subramanian started as a conservative player on the retail space. Like the proverbial tortoise, he opened his first retail outlet in 1997 with a meager investment of ₹ 5 lakh and in the ensuing nine years expanded to merely 150 stores (*restricting himself only to Tamil Nadu*). During 2006 and 2008, the store count went up to 1,665, with diversifications into medicine and mobile retail across geographies. "Subhiksha has paid the price of over optimism on the dynamics of the Indian retail industry

### **Human Resource Management (Woes of Employees)**

Most of the employees, including two of its Vice Presidents, have not been paid their salaries for the past several months. According to Ramnath, it was only at a board meet in November 2008 the management admitted there was severe liquidity crunch with mounting debt and unpaid employees and suppliers. Employees on the retailers' rolls have stopped coming to work because vendors and the landlords' goons hound them for unpaid bills. The empty cubicles here tell another poignant tale of the more than 20,000 direct and contractual employees.

### **Accounting Management**

"Subhiksha was a firm centralized in R.Subramanian. There was never any management committee that we knew of; the CFO could not sign a ₹ 5 cheque; and there were no balance sheets available for the last one year," says a hapless Subhiksha employee. For the year ended March 31, 2007 (*there were no account audited after June 2007*), It has asked some 700-odd employees from its 97 stores in Chennai, to pick up groceries in lieu of their outstanding dues against non-payment of salaries. Even this offer has created a piquant situation for the employees as they find store shelves almost empty as there are hardly any goods left to pick. The reason for disappearance of goods from the shelves is

said to be the stoppage of supplies by many vendors, including the country's largest FMCG player Unilever. These vendors, according to reports, have not been paid dues against earlier supplies.

There is also talk of the company planning to shutdown 50 per cent of the stores. However, after closely watching the deteriorating situation — in the last two months, sales dropped from between ₹ 20,000 to ₹ 25,000 a day in a single outlet to less than ₹ 100 in a day — they have completely lost hope.

Subhiksha is in serious trouble and may well be on the verge of total collapse. After CNBC-TV18 reported recently about non-payment of salaries to Subhiksha employees, the company's managing director admitted that the retail company is going through a severe liquidity crisis.

From just 150 stores in 2006, the retail chain at present holds 1665 stores across the country. However, currently the situation for Subhiksha seems to be pretty confusing. While on one end, behemoths like Azim Premji are investing heavily in Subhiksha (₹ 2.3 billion for a 10% stake), on the other there are speculations of a probable buy-out of this retail chain.

At a time when the market is rife with speculation as to what went wrong in the case of retail chain Subhiksha, experts feel the prime reason could be a challenging case of small-format grocery retailing in India. Others reasons include lack of transparency, liquidity crisis and poor management, among others. Current crisis which the company is going through could be the result of a multitude of factors; the overall slow down in retail sales, the rapid expansion made in recent times, which would be leading to operational issues. Subhiksha is not new to difficult times and in the past gone through them successfully and come out stronger.

### Questions for Discussion

1. What are the reasons for the failure of Subhiksha Retail chain?
2. Explain the brand image of Subhiksha.
3. What are the brand building strategies adopted by R.Subramanian?
4. Do you think that new business model of R.Subramanian failed to deliver goods?
5. What strategies you take for the revival of crisis-ridden retail chain Subhiksha?

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## UNIT - III

### Unit Structure

Lesson 3.1 - Relevant Theories of Personality

Lesson 3.2 - Perception

Lesson 3.3 - Motivation

Lesson 3.4 - Customer Buying Roles

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### Lesson 3.1 - Relevant Theories of Personality

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### Learning Objectives

- Know the concept of personality
- Understand different theories of personality
- Examine the influence of personality on retail consumer behavior

### Introduction

Personality is the combination of characteristics or qualities that form an individual's distinctive character. This reflects individual differences, which is consistent and enduring and can be changed. Some people are silent and submissive while others are sociable and aggressive; some are punctual and hardworking whereas some lack punctuality and are lazy; some are assertive and optimistic while some are shy and pessimistic. The personalities and attitudes of people are complex and difficult to interpret. To complicate matters further, there is no agreement among theories regarding the definition of personality. They define personality from a number of different perspectives.

Personality is multi dimensional in nature with many interacting elements like individual moods, values, attitudes, motives and habitual methods of responding to situations. Knowledge of personality helps in understanding consumers' basic orientations and their brand and store preferences, usage patterns, susceptibility to persuasion, and

other facts of consumer behavior. Consumer product choices, buying and consumption behavior can be better analyzed that way. Marketers have recognized the significance of personality as research proved personality's influence on consumer product choices or even brand choices. Personality even affects the way the consumers respond to a firm's promotional efforts, and when, where and how they buy or consume particular products or services. So, firms try to develop their market segmentation strategies based on specific personality characteristics.

### **Definition**

Personality can be defined as those inner psychological characteristics that both determine and reflect how a person responds to his or her environment. These inner characteristics include qualities, attitudes, beliefs, values, traits, factors and mannerisms that distinguish one individual from other individuals.

Some theorists feel that the personality is formed by the dual influence of heredity and early childhood experiences of the individual. Others believe even social and environmental influences play their part. Personality develops continuously over time. Personality focuses on unique characteristics that account for differences between individuals rather than on how people are alike. It stresses the consistency of an individual's disposition rather than variations in the actual behavior across different situations. It reflects how the personality influences actions and reactions to environment situations.

In organizations, does personality matter? Ask that question of anybody who has spent any time in organizations or teams, and, intuitively, most will respond in the affirmative. Frequently, people will be more than willing to cite examples of how personalities have affected team performances or how personalities made life in an organization unbearable (or, an enjoyable experience). Personalities, in a study of organizational behavior do matter.

So, what is personality? The word personality comes from the Latin root persona, meaning "mask." According to this root, personality is the impression we make on others; the mask we present to the world. Later in this discussion we'll allude to the word's origins as we discuss peoples' behaviors as manifestations of their personalities.

For purposes of our study, we'll define personality as "a unique set of traits and characteristics, relatively stable over time." Clearly, personality is unique insofar as each of us has our own personality, different from any other person's. Our definition further suggests that personality does not change from day to day. Over the short-term, our personalities are relatively set or stable. However, our definition does not suggest that personality is



somehow rigid, unchangeable, and cast in concrete. Our definition recognizes that, over a longer term, personality may change. To examine whether this change is indeed consistent with most peoples' reality, we ought to examine "where personality comes from"; what are the origins of personality?

### **The Origins of Personality: the Nature-Nurture Debate**

For psychologists studying the development of personality, "nature vs. nurture" was a central debate. "Nature vs. nurture" suggests that biology (a person's genes) and society (the environment in which a person grows up) are competing developmental forces. In the past, the debate sought to find whether one may be more important than the other. Today most psychologists would concede both nature and nurture are necessary for personality development. Both help to make us who we are.

One way to determine how genetics and environment affect personality is to turn to the study of behavior genetics. Looking at behavior of individuals, psychologists try to determine what percentage of that behavior is related to genetic differences and what percentage is related to environmental differences.

Twin studies are useful for studying genetic differences. For example, in order to understand the influence of both nature and nurture, we might study identical twins who share a home environment and have the same genetic makeup and fraternal twins who share a home environment but do not share the exact same genetic makeup. In such studies, researchers have found that genetic differences can account for 40 to 50 percent of differences in personality traits, while environmental influences account for about 30 percent of differences in personality traits.

What is the nature of these environmental influences? The home environment — parents and siblings (and perhaps others in an extended family) — plays a role in determining personality. Influences from outside the family are also important to the development of personality. Under the general rubric of "culture" we might include schools, churches, and other institutions with which an individual comes into contact.

To clearly distinguish between what constitutes nature, and what is nurture is difficult. For example, apparent "outside influences" may have more to do with genes than it would seem at first. People may seek out or even create environments to which they are genetically predisposed. A combative person is more likely than a peace-loving person to find an environment in which arguments are likely to take place.

Genes may not directly influence personality traits, but genes do govern the development of our nervous and endocrine systems. Hence, to the extent that body chemistry affects our behavior, we can argue that genetics influences personality. As an example, we can look at the relationship between testosterone and aggression. Men, on average, are more physically aggressive than women. Boys engage in far more roughhouse play than girls. Men also commit 90 percent of all violent crimes. Is testosterone the cause of this aggression?

In adulthood, men have up to ten times the amount of circulating testosterone typically found in women. Numerous studies have linked testosterone to aggression in other species, and some studies that have found the same relationship in humans.

We do know that prenatal testosterone irrevocably changes the brain structure of fetuses. Normally, only male babies are exposed to a significant amount of testosterone in the womb. Occasionally, though, female babies are exposed to testosterone-like hormones. When this happens, these girls later tend to engage in roughhouse play and show patterns of interests more typical of boys.

### **Can Personality be Measured?**

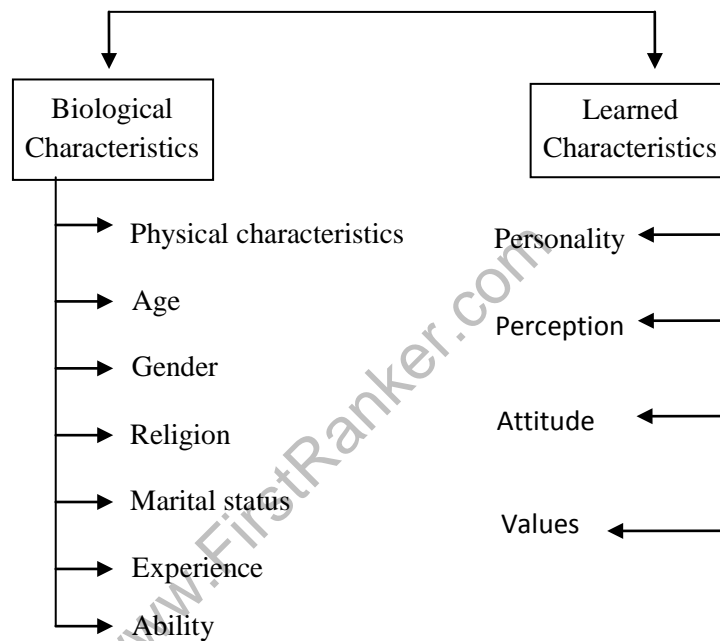
If we wish to measure the current in a electric circuit, we can insert an ammeter into the circuit. If we wish to measure the weight of some substance, we simply place that substance on scales designed to measure weight. What about personality? Unfortunately, we cannot directly “measure” personality. But if we cannot directly observe the seemingly unconscious, how do we know it exists?

The answer to the question lies in the fact that we can, in fact, directly observe behaviors. As students of human behavior, we are then left to infer personality from the behaviors it manifests.

Psychologists thus use behavioral indicators in constructing projective tests. These tests are designed to draw conclusions about personality from observed behaviors. For example, conclusions about personality traits and characteristics may be based on how people interpret ambiguous situations.

Perhaps the most famous projective test is the Rorschach inkblot test. Published in 1921, this test asks people to interpret what they see in an inkblot. The assumption is that, because the inkblots have no particular meaning, anything an individual says about them is shaped by their personality; they “project” elements of their personality onto what they see.

“Personality” can be defined as a dynamic and organized set of characteristics possessed by a person that uniquely influences his or her cognitions, emotions, interpersonal orientations motivations, and behaviours in various situations. The word “personality” originates from the Latin *persona*, which means mask. Significantly, in the theatre of the ancient Latin-speaking world, the mask was not used as a plot device to *disguise* the identity of a character, but rather was a convention employed to represent or *typify* that character. Personality may also refer to the patterns of thoughts, feelings, social adjustments, and behaviors consistently exhibited by an individual over time that strongly influence our expectations, self-perceptions, values and attitudes, and predicts our reactions to people, problems and stress. In a phrase, personality is not just who we are, Gordon Allport (1937) described two major ways to study personality: the nomothetic and the idiographic. *Nomothetic psychology* seeks general laws that can be applied to many different people, such as the principle of self-actualization, or the trait of extraversion. *Idiographic psychology* is an attempt to understand the unique aspects of a particular individual.



### Personal Factors

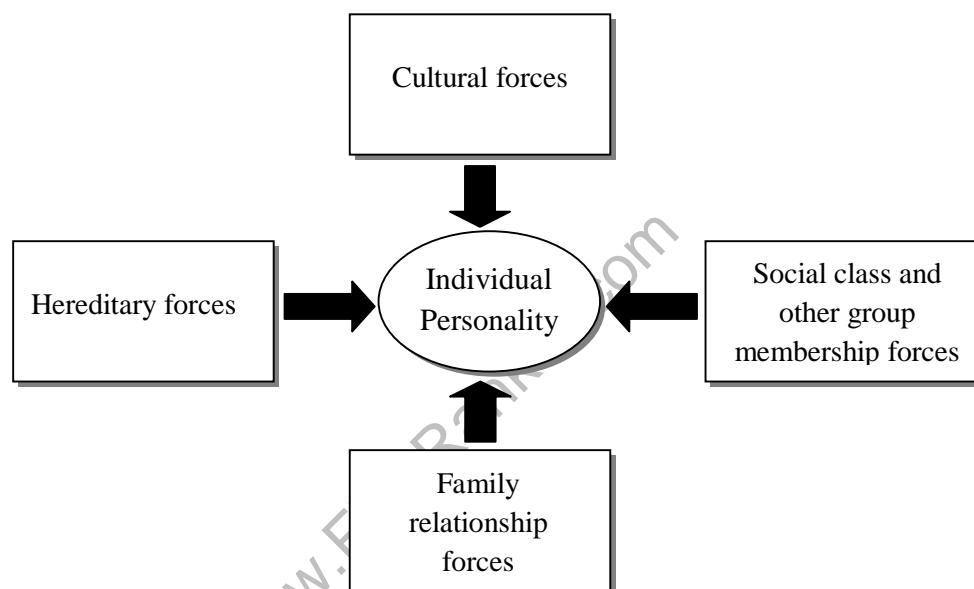
The study of personality has a broad and varied history in psychology, with an abundance of theoretical traditions. The major theories include dispositional (trait) perspective, psychodynamic, humanistic, biological, behaviorist and social learning perspective. There is no consensus on the definition of “personality” in psychology. Most researchers and psychologists do not explicitly identify themselves with a certain perspective and often take an eclectic approach. Some research is empirically driven such as dimensional models based on multivariate statistics such as factor analysis, whereas other research emphasizes theory development such as psychodynamics. There is also a

substantial emphasis on the applied field of personality testing. In psychological education and training, the study of the nature of personality and its psychological development is usually reviewed as a prerequisite to courses in abnormal or clinical psychology.

A relatively stable set of feelings and behaviors that have been significantly formed by genetic and environmental factors.

### Determinants of Personality

- a) Biological actors
- b) Cultural factors
- c) Family factors
- d) Social factors and
- e) Situational factors



### Theories of Personality

*The following are the major theories of personality*

The study of personality is based on the essential insight that all people are similar in some ways, yet different in others. For example, all people learn, yet people learn different things, in different ways, and to different extents. There have been many different definitions of personality proposed. Most contemporary psychologists though would agree on the following definition:

Personality is that pattern of characteristic thoughts, feelings, and behaviors that distinguishes one person from another and that persists over time and situations.

### Trait Theories

According to the Diagnostic and Statistical Manual of the American Psychiatric Association, personality traits are “enduring patterns of perceiving, relating to, and thinking about the environment and oneself that are exhibited in a wide range of social and personal contexts.” Theorists generally assume a) traits are relatively stable over time, b) traits differ among individuals (for instance, some people are outgoing while others are reserved), and c) traits influence behavior. When people are describing a person, they constantly talk about traits to help define the person as a whole. Traits are relatively constant; they do not usually change. Traits are also bipolar; they vary along a continuum between one extreme and the other (e.g. friendly vs. unfriendly).

The most common models of traits incorporate three to five broad dimensions or factors. All trait theories incorporate at least two dimensions, extraversion and neuroticism, which historically featured in Hippocrates’ humoral theory.

- Gordon Allport delineated different kinds of traits, which he also called dispositions. *Central traits* are basic to an individual’s personality, while *secondary traits* are more peripheral. *Common traits* are those recognized within a culture and thus may vary from culture to culture. *Cardinal traits* are those by which an individual may be strongly recognized. In his book, *Personality: A Psychological Interpretation*, Gordon Allport (1937) both established personality psychology as a legitimate intellectual discipline and introduced the first of the modern trait theories.
- Raymond Cattell’s research propagated a two-tiered personality structure with sixteen “primary factors” (16 personality factors) and five “secondary factors.” In Cattell’s lengthy career, he had written 50 books, 500 journals, and 30 different types of standardized tests. For Cattell, personality itself was defined in terms of behavioral prediction. He defined personality as “that which permits a prediction of what a person will do in a given situation.”
- John Gittinger’s theory and its applications (the Personality Assessment System (PAS)) uses the Wechsler intelligence tests, which are well standardized and objective instruments rather than self-report tests. PAS factors out personality traits (primitivity) and two additional levels, Basid and Surface, which are adaptations by environmentally induced presses and learning. Gittinger’s multivariate personality descriptions exceed 500 data-based outcome descriptions.

- Hans Eysenck believed just three traits— extraversion, neuroticism and psychoticism — were sufficient to describe human personality. Differences between Cattell and Eysenck emerged due to preferences for different forms of factor analysis, with Cattell using oblique, Eysenck orthogonal rotation to analyze the factors that emerged when personality questionnaires were subjected to statistical analysis. Today, the Big Five factors have the weight of a considerable amount of empirical research behind them, building on the work of Cattell and others. Eysenck, along with another contemporary in trait psychology named J.P. Guilford (1959), believed that the resultant trait factors obtained from factor analysis should be statistically independent of one another — that is, the factors should be arranged (rotated) so that they are uncorrelated or orthogonal (at right angles) to one another.
- Lewis Goldberg proposed a five-dimension personality model, nicknamed the “Big Five”:
  1. *Openness to Experience*: the tendency to be imaginative, independent, and interested in variety vs. practical, conforming, and interested in routine.
  2. *Conscientiousness*: the tendency to be organized, careful, and disciplined vs. disorganized, careless, and impulsive.
  3. *Extraversion*: the tendency to be sociable, fun-loving, and affectionate vs. retiring, somber, and reserved.
  4. *Agreeableness*: the tendency to be softhearted, trusting, and helpful vs. ruthless, suspicious, and uncooperative.
  5. *Neuroticism*: the tendency to be calm, secure, and self-satisfied vs. anxious, insecure, and self-pitying.

The Big Five contain important dimensions of personality. However, some personality researchers argue that this list of major traits is not exhaustive. Some support has been found for two additional factors: excellent/ordinary and evil/decent. However, no definitive conclusions have been established.

- Michael Ashton and Kibeom Lee, in 2008, proposed a six dimensional HEXACO model of personality structure. The HEXACO personality traits/factors are: Honesty-Humility (H), Emotionality (E), Extraversion (X), Agreeableness (A), Conscientiousness (C), and Openness to Experience (O). The three dimensions - Extraversion, Conscientiousness and Openness to Experience are considered to be basically the same as their counterpart dimensions in the Big Five Model. However, in the HEXACO model, Honesty-Humility, Emotionality and Agreeableness differ from



the Neuroticism and Agreeableness factors of the Big Five Model. Ashton and Lee especially emphasize the Honesty-Humility (H) factor as differentiating the HEXACO model from other personality frameworks. Specifically, the H factor is described as sincere, honest, faithful/loyal, modest/unassuming, fair-minded, *VERSUS* sly, deceitful, greedy, pretentious, hypocritical, boastful and pompous. The H factor has been linked to criminal, materialistic, power-seeking and unethical tendencies.

Trait models have been criticized as being purely descriptive and offering little explanation of the underlying causes of personality. Eysenck's theory, however, does propose biological mechanisms as driving traits, and modern behavior genetics researchers have shown a clear genetic substrate to them. Another potential weakness of trait theories is that they may lead some people to accept oversimplified classifications—or worse, offer advice—based on a superficial analysis of personality. Finally, trait models often underestimate the effect of specific situations on people's behavior.

It is important to remember that traits are statistical generalizations that do not always correspond to an individual's behavior.

- Does the importance of genetic influences on personality characteristics change across the 5 year period?
- Are genetic influences important for the likeliness of co-twins to change in the same way over the period of time?
- Are there genetic influences on the tendency of the co-twins to change, without keeping in mind the direction of the change

Age differences create more variables even within a family, so the best comparisons are found using twins. Twins typically share a family environment called a shared environment because they may share other aspects like teachers, school, and friends. A non-shared environment means completely different environment for both subjects. "Biologically related children who are separated after birth and raised in different families live in non-shared environments." Identical twins separated at birth and raised in different families constitute the best cases for heredity and personality because similarities between the two are due only to genetic influences. Vulnerability was a factor in this study that was taken into consideration regarding the issue of genetic influences on vulnerability. The study concluded that the monozygotic co-twins would be more similar than dizygotic co-twins in change over time. To answer the questions as to whether change is genetically influenced through personality, the data concluded that there was no significant difference for either variances between the monozygotic and dizygotic co-twins.



Another factor that can be addressed is biological versus adoptive relatives, a real-life experiment, adoption. This creates two groups: genetic relatives (biological parents and siblings) and environmental relatives (adoptive parents and siblings). So the question can be asked, are adopted children more like their biological parents, who share the same genes, or their adoptive parents, who share the same home environment? And consequently to sharing that home environment, do those adopted siblings come to share traits as well? After studying hundreds of adoptive families, the discovery was that people who grow up together, whether biologically related or not, do not much resemble one another in personality.

In characteristics such as extroversion and agreeableness, adoptees are more like their biological parents than to their adoptive parents. However, the minute shared-environment effects do not mean that adoptive parenting is ineffective. Even though genetics may limit the family environment's influence on personality, parents do influence their children's attitudes, values, faith, manners and politics. In adoptive homes, child neglect and abuse and even divorce between the parents is uncommon. In accordance to that, it is not surprising, despite a somewhat greater risk of psychological disorder, most adopted children excel, especially when they're adopted as infants. In fact, seven out of eight have reported feeling a strong connection with one or even both of their adoptive parents.

### Type Theories

Personality type refers to the psychological classification of different types of people. Personality types are distinguished from personality traits, which come in different levels or degrees. For example, according to type theories, there are two types of people, introverts and extroverts. According to trait theories, introversion and extroversion are part of a continuous dimension, with many people in the middle. The idea of psychological types originated in the theoretical work of Carl Jung and William Marston, whose work is reviewed in Dr. Travis Bradberry's *Self-Awareness*. Jung's seminal 1921 book on the subject is available in English as *Psychological Types*.

The model is an older and more theoretical approach to personality, accepting extroversion and introversion as basic psychological orientations in connection with two pairs of psychological functions:

- *Perceiving functions*: sensing and intuition (trust in concrete, sensory-oriented facts vs. trust in abstract concepts and imagined possibilities)
- *Judging functions*: thinking and feeling (basing decisions primarily on logic vs. considering the effect on people).

Briggs and Myers also added another personality dimension to their type indicator to measure whether a person prefers to use a judging or perceiving function when interacting with the external world. Therefore they included questions designed to indicate whether someone wishes to come to conclusions (judgment) or to keep options open (perception).

This personality typology has some aspects of a trait theory: it explains people's behaviour in terms of opposite fixed characteristics. In these more traditional models, the sensing/intuition preference is considered the most basic, dividing people into "N" (intuitive) or "S" (sensing) personality types. An "N" is further assumed to be guided either by thinking or feeling, and divided into the "NT" (scientist, engineer) or "NF" (author, humanitarian) temperament. An "S", by contrast, is assumed to be guided more by the judgment/perception axis, and thus divided into the "SJ" (guardian, traditionalist) or "SP" (performer, artisan) temperament. These four are considered basic, with the other two factors in each case (including always extraversion/introversion) less important. Critics of this traditional view have observed that the types can be quite strongly stereotyped by professions (although neither Myers nor Keirsey engaged in such stereotyping in their type descriptions, and thus may arise more from the need to categorize people for purposes of guiding their career choice. This among other objections led to the emergence of the five-factor view, which is less concerned with behavior under work conditions and more concerned with behavior in personal and emotional circumstances. (It should be noted, however, that the MBTI is not designed to measure the "work self", but rather what Myers and McCaulley called the "shoes-off self." Some critics have argued for more or fewer dimensions while others have proposed entirely different theories (often assuming different definitions of "personality").

Type A and Type B personality theory: During the 1950s, Meyer Friedman and his co-workers defined what they called Type A and Type B behavior patterns. They theorized that intense, hard-driving Type A personalities had a higher risk of coronary disease because they are "stress junkies." Type B people, on the other hand, tended to be relaxed, less competitive, and lower in risk. There was also a Type AB mixed profile.

John L. Holland's *RIASEC* vocational model, commonly referred to as the Holland Codes, stipulates that six personality types lead people to choose their career paths. In this circumplex model, the six types are represented as a hexagon, with adjacent types more closely related than those more distant. The model is widely used in vocational counseling.

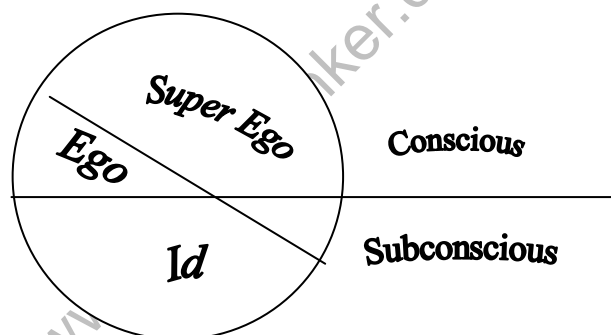
Eduard Spranger's personality-model, consisting of six (or, by some revisions, 6 +1) basic types of *value attitudes*, described in his book *Types of Men (Lebensformen)*; Halle

(Saale): Niemeyer, 1914; English translation by P. J. W. Pigors - New York: G. E. Stechert Company, 1928).

## Psychoanalytic Theories

Psychoanalytic theories explain human behaviour in terms of the interaction of various components of personality. Sigmund Freud was the founder of this school. Freud drew on the physics of his day (thermodynamics) to coin the term psycho-dynamics. Based on the idea of converting heat into mechanical energy, he proposed psychic energy could be converted into behavior. Freud's theory places central importance on dynamic, unconscious psychological conflicts.

Freud divides human personality into three significant components: the id, ego, and super-ego. The **id** acts according to the *pleasure principle*, demanding immediate gratification of its needs regardless of external environment; the **ego** then must emerge in order to realistically meet the wishes and demands of the id in accordance with the outside world, adhering to the *reality principle*. Finally, the **superego**(conscience) inculcates moral judgment and societal rules upon the ego, thus forcing the demands of the id to be met not only realistically but morally. The superego is the last function of the personality to develop, and is the embodiment of parental/social ideals established during childhood. According to Freud, personality is based on the dynamic interactions of these three components.



Interacting systems of human behaviour

The channeling and release of sexual (libidal) and aggressive energies, which ensues from the “Eros” (sex; instinctual self-preservation) and “Thanatos” (death; instinctual self-annihilation) drives respectively, are major components of his theory. It is important to note that Freud's broad understanding of sexuality included all kinds of pleasurable feelings experienced by the human body.

Freud proposed five psychosexual stages of personality development. He believed adult personality is dependent upon early childhood experiences and largely determined

by age five. Fixations that develop during the infantile stage contribute to adult personality and behavior.

One of Sigmund Freud's earlier associates, Alfred Adler, did agree with Freud that early childhood experiences are important to development, and believed birth order may influence personality development. Adler believed the oldest was the one that set high goals to achieve to get the attention they lost back when the younger siblings were born. He believed the middle children were competitive and ambitious possibly so they are able to surpass the first-born's achievements, but were not as much concerned about the glory. He also believed the last born would be more dependent and sociable but be the baby. He also believed that the only child loves being the center of attention and matures quickly, but in the end fails to become independent.

Heinz Kohut thought similarly to Freud's idea of transference. He used narcissism as a model of how we develop our sense of self. Narcissism is the exaggerated sense of one self in which one is believed to exist in order to protect one's low self-esteem and sense of worthlessness. Kohut had a significant impact on the field by extending Freud's theory of narcissism and introducing what he called the 'self-object transferences' of mirroring and idealization. In other words, children need to idealize and emotionally "sink into" and identify with the idealized competence of admired figures such as parents or older siblings. They also need to have their self-worth mirrored by these people. These experiences allow them to thereby learn the self-soothing and other skills that are necessary for the development of a healthy sense of self.

Another important figure in the world of personality theory was Karen Horney. She is credited with the development of the "real self" and the "ideal self". She believes all people have these two views of their own self. The "real self" is how you really are with regards to personality, values, and morals; but the "ideal self" is a construct you apply to yourself to conform to social and personal norms and goals. Ideal self would be "I can be successful, I am CEO material"; and real self would be "I just work in the mail room, with not much chance of high promotion".

### **Behaviorist Theories**

Behaviorists explain personality in terms of the effects external stimuli have on behavior. It was a radical shift away from Freudian philosophy. This school of thought was developed by B.F. Skinner who put forth a model which emphasized the mutual interaction of the person or "the organism" with its environment. Skinner believed children do bad things because the behavior obtains attention that serves as a reinforcer. For example: a

child cries because the child's crying in the past has led to attention. These are the *response*, and *consequences*. The response is the child crying, and the attention that child gets is the reinforcing consequence. According to this theory, people's behavior is formed by processes such as operant conditioning. Skinner put forward a "three term contingency model" which helped promote analysis of behavior based on the "Stimulus - Response - Consequence Model" in which the critical question is: "Under which circumstances or antecedent 'stimuli' does the organism engage in a particular behavior or 'response', which in turn produces a particular 'consequence'?"

Richard Herrnstein extended this theory by accounting for attitudes and traits. An attitude develops as the response strength (the tendency to respond) in the presences of a group of stimuli become stable. Rather than describing conditionable traits in non-behavioral language, response strength in a given situation accounts for the environmental portion. Herrnstein also saw traits as having a large genetic or biological component as do most modern behaviorists.

Ivan Pavlov is another notable influence. He is well known for his classical conditioning experiments involving dogs. These physiological studies led him to discover the foundation of behaviorism as well as classical conditioning.

### **Social Cognitive Theories**

In cognitive theory, behavior is explained as guided by cognitions (e.g. expectations) about the world, especially those about other people. Cognitive theories are theories of personality that emphasize cognitive processes such as thinking and judging.

Albert Bandura, a social learning theorist suggested the forces of memory and emotions worked in conjunction with environmental influences. Bandura was known mostly for his "Bobo Doll Experiment ". During these experiments, Bandura video taped a college student kicking and verbally abusing a bobo doll. He then showed this video to a class of kindergarten children who were getting ready to go out to play. When they entered the play room, they saw bobo dolls, and some hammers. The people observing these children at play saw a group of children beating the doll. He called this study and his findings observational learning, or modeling.

Early examples of approaches to cognitive style are listed by Baron (1982). These include Witkin's (1965) work on field dependency, Gardner's (1953) discovering people had consistent preference for the number of categories they used to categorise heterogeneous objects, and Block and Petersen's (1955) work on confidence in line discrimination

judgments. Baron relates early development of cognitive approaches of personality to ego psychology. More central to this field have been:

- Attributional style theory dealing with different ways in which people explain events in their lives. This approach builds upon locus of control, but extends it by stating we also need to consider whether people attribute to stable causes or variable causes, and to global causes or specific causes.

Various scales have been developed to assess both attributional style and locus of control. Locus of control scales include those used by Rotter and later by Duttweiler, the Nowicki and Strickland (1973) Locus of Control Scale for Children and various locus of control scales specifically in the health domain, most famously that of Kenneth Wallston and his colleagues,

The Multidimensional Health Locus of Control Scale. Attributional style has been assessed by the Attributional Style Questionnaire, the Expanded Attributional Style Questionnaire, the Attributions Questionnaire, the Real Events Attributional Style Questionnaire and the Attributional Style Assessment Test.

- Achievement style theory focuses upon identification of an individual's Locus of Control tendency, such as by Rotter's evaluations, and was found by Cassandra Bolyard Whyte to provide valuable information for improving academic performance of students. Individuals with internal control tendencies are likely to persist to better academic performance levels, presenting an achievement personality, according to Cassandra B. Whyte.

Recognition that the tendency to believe that hard work and persistence often results in attainment of life and academic goals has influenced formal educational and counseling efforts with students of various ages and in various settings since the 1970s research about achievement. Counseling aimed toward encouraging individuals to design ambitious goals and work toward them, with recognition that there are external factors that may impact, often results in the incorporation of a more positive achievement style by students and employees, whatever the setting, to include higher education, workplace, or justice programming.

Walter Mischel (1999) has also defended a cognitive approach to personality. His work refers to "Cognitive Affective Units", and considers factors such as encoding of stimuli, affect, goal-setting, and self-regulatory beliefs. The term "Cognitive Affective Units" shows how his approach considers affect as well as cognition.



Cognitive-Experiential Self-Theory (CEST) is another cognitive personality theory. Developed by Seymour Epstein, CEST argues that humans operate by way of two independent information processing systems: experiential system and rational system. The experiential system is fast and emotion-driven. The rational system is slow and logic-driven. These two systems interact to determine our goals, thoughts, and behavior.

**Personal Construct Psychology (PCP)** is a theory of personality developed by the American psychologist George Kelly in the 1950s. From the theory, Kelly derived a psychotherapy approach and also a technique called *The Repertory Grid Interview* that helped his patients to uncover their own “constructs” (defined later) with minimal intervention or interpretation by the therapist. The Repertory Grid was later adapted for various uses within organizations, including decision-making and interpretation of other people’s world-views. From his 1963 book, *A Theory of Personality*, pp. 103–104:

- Fundamental Postulate: A person’s processes are psychologically channelized by the ways in which the person anticipates events.
- Construction Corollary: A person anticipates events by construing their replications.
- Individuality Corollary: People differ from one another in their construction of events.
- Organization Corollary: Each person characteristically evolves, for convenience in anticipating events, a construction system embracing ordinal relationships between constructs.
- Dichotomy Corollary: A person’s construction system is composed of a finite number of dichotomous constructs.
- Choice Corollary: People choose for themselves the particular alternative in a dichotomized construct through which they anticipate the greater possibility for extension and definition of their system.
- Range Corollary: A construct is convenient for the anticipation of a finite range of events only.
- Experience Corollary: A person’s construction system varies as the person successively construes the replication of events.
- Modulation Corollary: The variation in a person’s construction system is limited by the permeability of the constructs within whose ranges of conveniences the variants lie.



- Fragmentation Corollary: A person may successively employ a variety of construction subsystems which are inferentially incompatible with each other.
- Commonality Corollary: To the extent that one person employs a construction of experience which is similar to that employed by another, the psychological processes of the two individuals are similar to each other.
- Sociality Corollary: To the extent that one person construes another's construction processes, that person may play a role in a social process involving the other person.

### Humanistic Theories

In humanistic psychology it is emphasized people have free will and they play an active role in determining how they behave. Accordingly, humanistic psychology focuses on subjective experiences of persons as opposed to forced, definitive factors that determine behavior. Abraham Maslow and Carl Rogers were proponents of this view, which is based on the "phenomenal field" theory of Combs and Snygg (1949).

Robert W. White wrote the book *The Abnormal Personality* that became a standard text on abnormal psychology. He also investigated the human need to strive for positive goals like competence and influence, to counterbalance the emphasis of Freud on the pathological elements of personality development.

Maslow spent much of his time studying what he called "self-actualizing persons", those who are "fulfilling themselves and doing the best they are capable of doing". Maslow believes all who are interested in growth move towards self-actualizing (growth, happiness, satisfaction) views. Many of these people demonstrate a trend in dimensions of their personalities. Characteristics of self-actualizers according to Maslow include the four key dimensions:

1. **Awareness** - maintaining constant enjoyment and awe of life. These individuals often experienced a "peak experience". He defined a peak experience as an "intensification of any experience to the degree there is a loss or transcendence of self". A peak experience is one in which an individual perceives an expansion of his or herself, and detects a unity and meaningfulness in life. Intense concentration on an activity one is involved in, such as running a marathon, may invoke a peak experience.
2. **Reality and problem centered** - they have a tendency to be concerned with "problems" in their surroundings.
3. **Acceptance/Spontaneity** - they accept their surroundings and what cannot be changed.

4. **Un-hostile sense of humor/democratic** - they do not like joking about others, which can be viewed as offensive. They have friends of all backgrounds and religions and hold very close friendships.

Maslow and Rogers emphasized a view of the person as an active, creative, experiencing human being who lives in the present and subjectively responds to current perceptions, relationships, and encounters. They disagree with the dark, pessimistic outlook of those in the Freudian psychoanalysis ranks, but rather view humanistic theories as positive and optimistic proposals which stress the tendency of the human personality toward growth and self-actualization. This progressing self will remain the center of its constantly changing world; a world that will help mold the self but not necessarily confine it. Rather, the self has opportunity for maturation based on its encounters with this world. This understanding attempts to reduce the acceptance of hopeless redundancy. Humanistic therapy typically relies on the client for information of the past and its effect on the present, therefore the client dictates the type of guidance the therapist may initiate. This allows for an individualized approach to therapy. Rogers found patients differ in how they respond to other people. Rogers tried to model a particular approach to therapy- he stressed the reflective or empathetic response. This response type takes the client's viewpoint and reflects back his or her feeling and the context for it. An example of a reflective response would be, "It seems you are feeling anxious about your upcoming marriage". This response type seeks to clarify the therapist's understanding while also encouraging the client to think more deeply and seek to fully understand the feelings they have expressed.

### Bio-Psychological Theories

Some of the earliest thinking about possible biological bases of personality grew out of the case of Phineas Gage. In an 1848 accident, a large iron rod was driven through Gage's head, and his personality apparently changed as a result, although descriptions of these psychological changes are usually exaggerated.

Graphic by Damasio *et al.* showing how the tamping iron may have damaged both frontal lobes. (A 2004 study by Ratiu and colleagues suggests the damage was more limited.)

In general, patients with brain damage have been difficult to find and study. In the 1990s, researchers began to use Electroencephalography (EEG), Positron Emission Tomography (PET) and more recently functional Magnetic Resonance Imaging (fMRI), which is now the most widely used imaging technique to help localize personality traits in the brain. One of the founders of this area of brain research is Richard Davidson of the University of Wisconsin – Madison. Davidson's research lab has focused on the

role of the prefrontal cortex (PFC) and amygdale in manifesting human personality. In particular, this research has looked at hemispheric asymmetry of activity in these regions. Neuropsychological experiments have suggested that hemispheric asymmetry can affect an individual's personality (particularly in social settings) for individuals with NLD (non-verbal learning disorder), which is marked by the impairment of nonverbal information controlled by the right hemisphere of the brain. Progress will arise in the areas of gross motor skills, inability to organize visual-spatial relations, or adapt to novel social situations. Frequently, a person with NLD is unable to interpret non-verbal cues, and therefore experiences difficulty interacting with peers in socially normative ways.

One integrative, bio-psychosocial approach to personality and psychopathology, linking brain and environmental factors to specific types of activity, is the hypostatic model of personality, created by Codrin Stefan Tapu.

Cattell and Eysnck have proposed that a genetics have a strong influence on personality. Twin studies show that there are correlations between twins and the five factor personality model: neuroticism, extroversion openness, agreeableness and conscientiousness. Identical twins however, have higher correlations in personality traits than fraternal twins. It is suggested that heredity and environment interact to determine one's personality.

### **Genetics of Personality**

Personality genetics is a scientific field that examines the relationship between personality and genetics. Interest in the field is also driven by molecular genetic and evolutionary ideas about personality.

Most studies on personality genetics rely on twin studies, which compare identical and fraternal twins. Twin studies consistently indicate moderate genetic influence—heritability estimates for most traits are about 40% and are not influenced by the environmental factors shared by twins. The estimated heritability for the personality measures were much lower than those obtained in studies of identical and fraternal twins, which suggests that twin studies have exaggerated the degree of genetic variation in personality.

Behavior genetics methods have similarities to natural experiments in which groups are found who have differences in genetic similarity or environmental similarity. The most popular method of determining human inheritance compares mono-zygotic and di-zygotic twins. Mono-zygotic twins develop from the same fertilized ovum and share the same set

of inherited blueprints, often called identical twins. Another way to describe them is to say that their genotype is identical. Because mono zygotic twins are genetically identical, any observed differences between the twins can be noted to the environment.

Di-zygotic twins develop from two separate ova. They are no more alike genetically than other brothers and sisters; on average, they share 50% of their genes. Any observed differences between fraternal twins are attributable to a combination of genetic and environmental causes. The twin method assumes that environmental influences are essentially the same for the two types of twins. If the identical twins are observed to be more similar than the fraternal twins, this difference in their correlations is ascribed to the greater genetic similarity of the identical twins. This means that the trait is influenced by genetic factors.

In order to examine the complications of developmental genetic influences on personality characteristics during the time of young adulthood, the study applied a longitudinal twin study. This classic twin design is a well-used method for determining the presence of genetic influences on individual differences. There were two different types of twins used in the study: monozygotic (identical) and dizygotic (fraternal). Monozygotic twins share 100% of their genes, whereas dizygotic share only 50%. If there is a strong genetic influence, monozygotic co-twins have a tendency to be more similar than dizygotic twins.

A longitudinal design is a branch of this cross-sectional twin design in that the twins are assessed twice in their life. A longitudinal study can find the presence of genetic influences at two different times and can determine the genetic influences that operate on an intra-individual change over a period of time. Longitudinal twin studies have been used repeatedly to investigate the behavioral and intellectual development in infants and young children. Most twin studies of adult personality characteristics have been cross-sectional. Cross-sectional studies do not show the full impact that developmental genetics has on adult personality. Even though cross-sectional methods have led to interesting findings, they are subject to associational effects and sample variation across different ages, and therefore cannot investigate intra-individual change.

This study assessed a large sample of mono-zygotic and dizygotic twins when they were 20 and 25 years of age, using a shorter version of the Minnesota Multiphasic Personality Inventory (MMPI). This inventory was used to measure self-reported personality characteristics of particular behavior of genetics interest. Three primary questions were developed during this assessment:

Does the importance of genetic influences on personality characteristics change across the 5 year period?

Are genetic influences important for the likeliness of co-twins to change in the same way over the period of time?

Are there genetic influences on the tendency of the co-twins to change, without keeping in mind of the direction of the change

Age differences create more variables even within a family, so the best comparisons are found using twins. Twins typically share a family environment called a shared environment because they may share other aspects like teachers, school, and friends. A non-shared environment means completely different environment for both subjects. "Biologically related children who are separated after birth and raised in different families live in non-shared environments." Identical twins separated at birth and raised in different families constitute the best cases for heredity and personality because similarities between the two are due only to genetic influences.

Vulnerability was a factor in this study that was taken into consideration regarding the issue of genetic influences on vulnerability. The study concluded that the monozygotic co-twins would be more similar than dizygotic co-twins in change over time. To answer the questions as to whether change is genetically influenced through personality, the data concluded that there was no significant differences for either variances between the monozygotic and dizygotic co-twins.

Genotypes, or the genetic make up of an organism, influence, but don't fully decide the physical traits of a person. Those are also influenced by the environment and behaviors they are surrounded by. For example, a person's height is affected by genetics, but if they are malnourished growth will be stunted no matter what their genetic coding says. Environment is also not completely responsible for an outcome in personality. An example from Psychobiology of Personality by Marvin Zuckerman is alcoholism: studies suggest that alcoholism is an inherited disease, but if a subject with a strong biological background of alcoholism in their family tree is never exposed to alcohol, they will not get that way regardless of their genome.

Another factor that can be addressed is biological versus adoptive relatives, a real-life experiment, adoption. This creates two groups: genetic relatives (biological parents and siblings) and environmental relatives (adoptive parents and siblings). So the question can be asked, are adopted children more like their biological parents, who share the same genes,

or their adoptive parents, who share the same home environment? And consequently to sharing that home environment, do those adopted siblings come to share traits as well? After studying hundreds of adoptive families, the discovery was that people who grow up together, whether biologically related or not, do not much resemble one another in personality. In characteristics such as extroversion and agreeableness, adoptees are more like their biological parents than to their adoptive parents. However, the minute shared-environment effects do not mean that adoptive parenting is ineffective. Even though genetics may limit the family environment's influence on personality, parents do influence their children's attitudes, values, faith, manners and politics. In adoptive homes, child neglect and abuse and even divorce between the parents is uncommon. In accordance to that, it is not surprising, despite a somewhat greater risk of psychological disorder, most adopted children excel, especially when they're adopted as infants. In fact, seven out of eight have reported feeling a strong connection with one or even both of their adoptive parents.

### **The Thematic Apperception Test (TAT)**

Although the basic assumption of inkblot testing is sound, its reliability (ability to deliver the same results when given by different people in different situations) and validity (ability to test what it presumes to test) are suspect.

The Thematic Apperception Test (TAT) is a projective test that offers more validity. The TAT consists of drawings or photographs of real-life situations. People taking the test are instructed to construct stories based on these images, and trained raters then score the recorded story for predefined themes. Psychologists assume that the stories people tell reflect the unconscious.

### **Summary**

Personality can be defined as those inner psychological characteristics (attitudes, beliefs, values, etc.) that determine and reflect how a person responds to his or her environment. Personality reflects individual differences and is relatively consistent and enduring though it may change at times. A number of theories of personality such as type, trait, psychoanalytic (Freud, Jungian and Neo-Freudian), behavioral try to explain the concept of personality. Knowledge of these theories of personality helps in understanding consumer preferences and their buying behaviors. Promotional campaigns and advertisements can be better designed to appeal to the personality attributes of the consumers so that they develop a positive feeling towards the products. Though there seems to be a correlation between consumers' personality and buying behavior how strong the influence is, cannot be predicted with certainty. As an alternative, researchers have suggested the concept of self



to understand the consumer's purchasing patterns. Self can be defined as the way in which an individual perceives himself. Consumers view products as an extension of their self. There are variations to self, such as ideal self, social self, actual self, aspirational self, which play their part in influencing the consumers' behaviors. Social interactions form the basis for the development of these selves. Self-appraisal, reflected appraisal, social comparisons and biased scanning lead to development of self. Consumers tend to buy products that are compatible with their self-concept and are particularly attracted to products that enhance their 'ideal self image'.

### **Self Assessment Questions**

1. What is the concept of personality?
2. Discuss different theories of personality.
3. Examine the influence of personality on retail consumer behavior

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## Lesson 3.2 - Perception

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### Learning Objectives

- Understand the nature of perception
- Examine the role of perception in decision making.

### Introduction

An understanding of perceptual process is important to the retailer as the shopper's decision to purchase a product will be influenced to a large extent by the way he perceives the product. Perception simply refers how we see the world around us. Individuals act react on the basis of their perceptions, not on the basis of objective reality. For each individual, reality is a totally personal phenomenon, which is based on person's needs, wants, values, and personal experiences. Hence, reality to an individual is merely that individual's perception of things. This implies that for marketers, consumer perceptions and their impact on the buying behavior are more important than objective reality. Consumers' perceptions affect their actions, buying habits, and leisure habits. Many physiological and psychological factors affect human perception. An understanding of these factors enables the marketers to develop advertisements that appeal to their target consumers.

**Perception** (from the Latin *perceptio, percipio*) is the process of attaining awareness or understanding of the environment by organizing and interpreting sensory information. All perception involves signals in the nervous system, which in turn result from physical stimulation of the sense organs. Perception is not the passive receipt of these signals, but can be shaped by learning, memory and expectation. Perception involves these "top-down" effects as well as the "bottom-up" process of processing sensory input. Perception depends on complex functions of the nervous system, but subjectively seems mostly effortless because this processing happens outside conscious awareness.

Perception is the process by which the sensations are selected, organized and interpreted. Sensation refers to the immediate response of our sensory receptors/organs (eyes, ears, nose, mouth, fingers) to basic stimuli such as light, colour, sound, Odors, taste and textures.

Individuals act and react on the basis of their perceptions, not on the basis of objective reality. Hence, reality to an individual is merely that individuals' perception of things. This implies that for marketers, consumer perceptions and their impact on the buying behavior are more important than objective reality. Consumers' perceptions affect their actions, buying habits, and leisure habits. Many physiological and psychological factors affect human perception. An understanding of these factors enables the marketers to develop advertisements that appeal to their target consumers.

Perception is defined as the process, by which an individual selects, organizes and interprets stimuli into a meaningful and coherent picture of the world.

Different persons may view the same event differently and thus respond in a different manner. In other words, the general tendency on the part of the people is to view the same phenomenon/event/situation differently and respond in the way they perceive the objects/things.

In other words, perception is the process of selecting, organizing and interpreting or attaching meaning to events happening in environment. It is a mental process, whereby an individual selects data or information from the environment, organizes it and draws significance or meaning from it. Perception is basically a cognitive or thinking process and an individual's activities, emotions, feelings etc., are based on his or her perceptions of their surroundings or environment.

The conventional wisdom says that the buying behaviour of industrial consumer is different from that of a consumer products buyer. Within the consumers also, the retail sector is unique in its nature, and different in characteristics when compared to other buyers who buy from conventional stores. The researcher tried to probe into various aspects of retailing that may influence and affect the buying behaviour of a retail consumer. Typically, the marketing operations start with the customer and ends with his satisfaction, retail marketing is no exception to this principle. In order to give the findings a meaningful direction, the consumer behaviour has been studied comparing the two important formats of retail that is general category and specialty malls under three broad sections as give under.

- a) The customer centric factors (Intrinsic and Extrinsic factors)
- b) Inducements that retailers would use like – Products Mix, Store Design and Layout, influence through CSA, Store specific Drives, motivational factors like advertisements and promotional issues
- c) The ultimate decisive views that have influence on a consumer behaviour

Perception can be understood as 'the way we look at' the objects, individuals, events and the world in general. Our sense organs keep in receiving messages such as sights, smells, sounds, tastes and sensations. All these are stimuli. We recognize these stimuli; select them and organize them. These are ultimately interpreted in our own way depending on our expectations, needs and values. This process is known as perception.

A stimulus is a unit of input to any of our five senses. As a sensory input, stimuli could be products, brand names, advertisements including commercials. Each product is a bundle of stimuli of shape, size, colour, fragrance, feel and taste. The promotion of the product – its packaging and advertising – is like providing stimulus to the consumer. If we understand the different perceptions with the above stimuli,

We can emphasize those stimuli which provoke the most favourable response in most people. In respect of cosmetics, quality is perceived in terms of company image, good packaging and price. The study of perception is to a large extent the study of what we subconsciously either add to or subtract from the raw sensory inputs to produce our individualized picture of the world.

### **Sensation**

Our response to stimuli which is immediate and direct is called sensation. We, thus, respond to stimuli like ads, packages and a brand name. Sensation is related to the quality of working of our sense organs. It is also related to the strength of the stimuli. Sensitivity of a blind person in terms of hearing is greater as he lacks the sensation of sight.

### **Threshold**

Threshold indicates a level. The lowest of experiencing a sensation is called the absolute threshold. It denotes a point at which something is distinguished from nothing. We can see a hoarding on a highway from a particular distance. It is our absolute threshold. Individuals differ in their absolute threshold. It means two persons will be able to see the hoarding at different times; and at different distances.

When there is constant stimulation, the absolute threshold rises up, indicating the numbness of the senses. If the avenue has a number of hoardings, we do not know whether any single hoarding will make an impact. It is, what is called 'get used to' feeling. Scavengers get used to the stink of the garbage. We get used to the odor in the fish market. This is called adaptation.

### *Just Noticeable Difference (JND)*

Differential threshold is the smallest detectable difference between two values of the same stimulus. This is also referred as J.N.D. A German scientist, Ernst Weber discovered that the just noticeable difference between two stimuli was an amount relative to the intensity of the initial stimulus. To measure the differential threshold for a stimulus, one commonly changes its intensity in very small amounts. An individual's threshold exists when she/he first notices that the stimulus has changed.

The senses are likely to become increasingly dull under conditions of constant stimulation and the absolute threshold increases. For example, if someone drives for half an hour through a corridor of billboards, it is doubtful that any particular billboard will register any impression. This is known as 'adaptation' refers to 'getting used to' certain sensations.

Sensory adaptation is a problem for many TV advertisers because of advertising clutter. It is because of this reason that advertisers are inclined to change their ad campaign frequently fearing that target audiences will get used to the current ads that these will no longer provide sufficient sensory input to be noticed.

The difference between this value and the starting value is the Just Noticeable Difference. Ex: What amount of salt will make our potato chip packet saltier (JND) depends on the amount of salt used in the first place. Thus, marketers must make the additional stimulus equal to JND for people to perceive the difference. A slight increase in the price of a daily newspaper is immediately noticed. A slight increase, say of ₹ 1,000 in the price of Maruti 800 is not noticed.

Only when the car price goes up by several thousand rupees the difference will be noticed. Discount sales should consider JND, or else the discount will go unnoticed. Negative changes in product should be noticeable. The company knows how to make use of quantity reduction and price increase. Reduction in quantity should be below the JND. Formulation of coffee and chicory should be under the JND so that the consumers do not notice any difference in taste.

Downsizing of a package without price increase actually amounts to an invisible price increase. It so happens that the consumers just do not notice the downsizing for which they are paying the same price. Package design is so changed that the differences are not noticeable. Changes are introduced in a phased manner, and the transition is not noticed, though the final package may be quite different from the original one.

An abrupt change in packaging crossing the JND may make the consumer perceive a product which itself has undergone a drastic change. Improvements in products should not be above the JND, or else repeat purchases will be affected. Improvements should not be less than JND, or else they will go waste. JND enables us to determining the exact amount of improvements.

Thus, Marketers use Weber's law to predict how consumers will respond to differences between marketing variables or changes in these variables. In certain situations the marketer's objective is to have consumers detect differences such as when product improvements are made or price is reduced. In other cases the objective is to have the differences escape attention such as reductions in product size or quality, increases in product price, or changes in packing when package design is important for ready recognition by consumers.

### ***Sub - liminal Perception (JND)***

We know people can be motivated below the level of their conscious awareness. In other words, people perceive stimuli without being aware of them consciously. Even weak and brief stimuli may be perceived by us. This called sub-liminal perception. It is that perception where the stimulus is under the threshold or *limen* of awareness, but is certainly not under the absolute threshold of the receptors cells involved.

Consumer choices are influenced through sub-liminal messages. Wilson Bryan Key, an American communications professor, has done research on sub-liminal communications. In fact, according to him, sublimity is an inalienable attribute of all communication. Most junk food advertising utilizes sub-liminal techniques. Life-style advertising of textiles is another instance.

The cigarette advertising is associated with glamorous persons who smoke a particular brand. The sub-liminal message is that you can be like us if you smoke this brand. Sub-liminal messages play upon human fears, anxieties and desires.

### ***Perceptual Selection***

Countless stimuli bombard us daily. It is not possible to subject all of them to analysis. We have a screening system built into us that selects and rejects stimuli called perceptual selection. The relevant stimuli are selected and recognized to the exclusion of all others. Selection of the stimuli depends upon the nature of the stimulus itself – previous experience of the consumer which affects expectations and motives at the time.

Contrast is considered valuable to get attention, and so it is made a part of the stimulus. Big ads, use of white space in ads, soundless commercial in the opening scene are all examples of the use of contrast to arrest attention.

Package design should be so distinguishable that it ensures rapid consumer perception.

Sometimes lack of contrast also leads to perception. An in-programme commercial is so broadcast that viewers do not feel that they are watching a commercial. Infomercials are long informative commercials like documentaries lasting for at least 30 minutes. Viewers get hooked to these. Similarly, in print media, advertorials resembling editorial matter serve the same purpose.

People see what they expect to see. The expectation is based on previous experience. A product is perceived according to our own expectations. Some products conform to our expectations. Some conflict with our expectations. They invite more attention. Topsy-turvy ads print half the ad upside down to attract reader's attention.

We develop a consciousness for the product which would satisfy our motives. A person who desires to have a car would be very much conscious of all the car ads. There is a heightened awareness of stimuli which are relevant to our needs and wants.

Advertisers like to have the stimuli provided by them to be recognized, interpreted and retained in memory. The following aspects of perception, therefore, need closer examination.

### ***Selective Exposure***

We tend to welcome those messages which we find palatable and avoid those which are either painful or threatening. Smokers avoid reports of nicotine being carcinogenic. They, on the other hand, like those reports which express doubts about such a declaration. We get selectively exposed to messages that assure us of our wisdom in purchasing a particular product.

### ***Selective Attention***

The consumer durables like colour TV, fridge or music system we might intend to purchase are widely advertised. The moment we decide to purchase any of these, we become conscious of the ads of these products, which till then we might have not noticed.

This is called selective attention. We are more likely to notice stimuli which relate to our immediate needs.

The advertisers have, therefore, to tap the segment of customers correctly, since other segments are not likely to notice the stimuli. Once the customer segment is properly identified, the advertiser has to ensure that the stimuli are interesting enough to attract and hold attention.

People differ in terms of the kind of information they prefer. They also have varying preference for media. Some are more interested in appearance, some social prestige and some in price. Some prefer elaborate ads whereas some like simple messages. Consumers show wide variation in their selective attention to commercial stimuli.

### ***Selective Distortion***

Suppose a customer decides to buy brand *A* of a music system. Since now the decision has already been made, the customer seeks only that information which confirms the correctness of his to buy brand *A*.

On coming across some positive remarks regarding brand *B*, the customer tends to pick up some holes here and there to get a feeling that he is right in his selection of brand *A*. When in this fashion, we slot the information to our own ideas or meaning, selective distortion occurs. The advertiser might find his message is twisted in different ways by different customers.

### ***Selective Retention***

We tend to remember only the positive features of brand *A* confirming the correctness of our decision, and tend to forget the rest of the stimuli. The retained information confirms our values and decision.

### **Retail Strategy**

Most of the retail outlets have a large variety of products and a great deal of information attached to these products, retailers must facilitate efficient information processing to prevent information overload leading to consumer frustration.

Retailers usually use exposure very effectively. Store interiors are designed with frequently purchased items (fresh fruits/pulses) separated so that the average customer has



to travel through more of the store. High margin items are often placed in high traffic areas to capitalize on increased exposure.

Stores now have highly visible shelves and overhead signs to help consumers locate different items easily. Depending on the popularity of the items and brands, shelf space is allocated. In store information cues, layout, point-of-purchase displays and external building characteristics and advertising – all contribute to improve the image of the store.

## Summary

Perception is defined as the process by which an individual selects, organizes and interprets stimuli into meaningful and coherent thought and pictures. Consumer perceptions affect their action and buying habits. Attention is dependent on three factors, the stimulus, the individual and the situation. Individuals are selective about which stimulus they would like to recognize (perceptual selection) they organize the stimuli they select (perceptual organization) and they give meaning to such stimuli (perceptual interpretation). Individuals can perceive stimuli without being consciously aware of them. And this kind of subliminal perception is intelligently used by marketers in their advertisements and product promotions to persuade consumers to buy their products. Consumer imagery is of significance to marketers as it deals with how congruent the product is with the individual product perception and his self-image. More than the products' actual characteristics, the perceived image of its quality and utility is vital to the products' success in the market place. An understanding of consumer perception is important in designing the retail strategy, brand name and logo development, media strategies and advertisement and package design.

## Self Assessment Questions

1. Explain the nature and importance of perception.
2. Explain the role of perception in consumer decision making process.

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## Lesson 3.3 - Motivation

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### Learning Objectives

- Understand the nature and significance of motivation
- Examine different theories of motivation.
- Comprehending the need for understanding the motivation of proper behavior

### Introduction

Marketing seeks to satisfy consumers' needs and aims to persuade consumers that the use of certain product or services will satisfy a particular need or group of needs. Retailer must ensure that his staffs perform at a high level to satisfy the shoppers. Consumers actually do not buy products. Instead, they buy motive satisfaction or solutions to problems. Marketers must discover the specific motives that their products and brands can satisfy and develop their marketing mixes to the satisfaction of these motives. Motivation research has found that people buy things because of a variety of motives.

Motives that are known and freely admitted are called manifest motives. For instance, when a consumer buys products that satisfy his physiological needs such as food, drink, shelter, he is driven by manifest needs that conform to the society's prevailing value system and hence are exhibited without inhibitions.

There are certain motives that are either unknown to the consumer or the consumer is very reluctant to admit them. Such motives can be termed as latent or hidden motives. The latent motive of a woman buying cosmetics might be a desire to flaunt her beauty though she might prefer to say that she purchases them as personal care products.

Since at a given time, a variety of motives-both manifest and latent might be operative in a particular purchase process, the task of the marketing manager is to determine the combination of motives influencing the target market.

Shopper needs are the basis of all marketing. In a highly competitive marketing environment, a company's survival, profitability, and growth depends to a large extent on its ability to identify and satisfy unfulfilled shopper needs better and sooner than the

competitors. Successful retailers define their markets in terms of the needs they presume to satisfy rather than in terms of the products they sell.

Psychologists and shopper behaviorists say that most people experience the same kinds of needs and motives, but express these motives in different ways. Therefore, an understanding a human motives, enable retailers to predict human behavior in the marketplace.

### **Meaning of Motivation**

The needs of consumers keep changing with the constant change in the economic, social, and political climate. If the motivational patterns of shoppers are not adequately identified and exploited then efforts of retailers will be wasted and may even be counterproductive. Hence, there is a constant requirement for the retailers to be aware of all the motives governing shoppers' actions. Therefore, it is better to have an understanding of the meaning of motives and the role they play.

Motive is an inner state that mobilizes bodily energy and directs it in selective fashion towards goals usually located in the external environment. Motivation is the reason for behavior – it explains why an individual does something.

It is an unobservable inner force that stimulates and compels a behavioral response and provides specific direction to that response. Motives describe the interrelationship between needs, behavior aimed at overcoming needs, and the fulfillment of these needs. Motivation is a dynamic process that has three stages.

Firstly, the state that motivates behavior – the motives or drives or needs. Secondly the behavior (often called instrumental behavior) motivated by needs or drives. And finally, the instrumental behavior leading to achievement of an objective of goal.

Motives can be learned or unlearned. Unlearned motives include the basic physiological drives and primary drives that appear to have no obvious physiological basis. Learned or secondary motives arise where, through learning, previously neutral stimuli arouse motive states.

Motives can be either positive or negative. Positive goals are those, which a person strives to achieve (to possess a two wheeler). Negative goals are those, which a person tries to avoid, such as difficult or unpleasant situations (to avoid failure in an exam).

## Definitions

According to Dalton E. McFarland, “Motivation refers to the way in which urges, drives desires, aspirations, strivings or needs direct, control or explain the behaviour of human beings.”

Dubin has defined motivation as “the complex of forces starting and keeping a person at work in an organization. Motivation is something that moves the person to action and continues him in the course of action already initiated.” Motivation refers to the way a person is enthused at work to intensify his desire and willingness to use his energy for the achievement of organizational objectives. It is something that moves a person into action and continues him in the course of action enthusiastically. The role of motivation is to develop and intensify the desire in every member of the organization to work effectively and efficiently in his position.

## Importance of Motivation

### *1. Maximum Utilization of Factors of Production*

Workers perform the work sincerely through the inspiration of motivation. This creates the possibility of maximum utilization of factors of production, viz., labour and capital.

### *2. Willingness to Work*

Motivation influences the willingness of people to work. A man has technically, mentally and physically fit to perform the work but he may not be willing to work. Motivation creates a willingness on the part of workers to do the work in a better way.

### *3. Reduced Absenteeism*

Financial incentive schemes coerce the workers to work more. Financial incentive scheme is framed in such a way that monetary benefits are given on the basis of number of hours engaged. This reduces absenteeism.

### *4. Reduced Labour Turnover*

Motivation has both financial and non-financial incentive schemes. This helps to retain the existing labourers. The enterprise can plan its activities on long-term basis with the help of reduced labour turnover.

#### *5. Availability of Right People*

Financial and non-financial incentives do not only retain the existing employees but also attract the employees from outside the enterprise. In other words, right people are attracted from outside to work for the enterprise.

#### *6. Building of Good Labour Relations*

Motivation helps to solve the labour problems of absenteeism, labour turnover, indiscipline and grievances. This ensures building of good labour relations.

#### *7. Increase in the Efficiency and Output*

Both workers and management got benefits from motivational plans. On the one hand, wages of the workers increase corresponding to the increase of output and efficiency.

On the other hand, the productivity of the organization and its profits increases due to consolidated efforts of the motivated people.

#### *8. Sense of Belonging*

A proper motivation scheme promotes closer rapport between enterprise and workers. The workers begin to feel that the enterprise belongs to them and consider its interests as their own. Thus there is no difference between workers and enterprise.

#### *9. Basis of co-operation*

Efficiency and output are increased through co-operation. The co-operation could not be obtained without motivation, so, motivation is a basis of co-operation.

#### *10. Helps in Realizing Organizational Goals*

Organizational goals are achieved quickly through motivation. Motivated employees have a feeling of total involvement in the performance of organization task. Employees may work wholeheartedly for the realization of organizational goals.

#### *11. Improvement upon Skill and Knowledge*

Employees have promised efficient job performance or completion. Hence, the employees may improve upon their skill and knowledge required for the job.

## Theories of Motivation

Many theories have been put forth by experts in the field of Behavioural Sciences. The following theories are important.

1. Need Hierarchy Theory (Abraham Maslow)
2. Motivation - Hygiene theory (Frederick Herzberg) (also known as Two Factory Theory).
3. Achievement Motivation Theory (David McClelland)
4. Theory X and Theory Y (Douglas McGregor)
5. Vroom's Valence-Expectancy Theory

### 1. Need Hierarchy Theory

According to Abraham Maslow human needs arrange themselves into a hierarchy. There are complex, interrelated and ever changing human needs.

The hierarchy of needs is as follows:

1. Physiological
2. Safety and Security
3. Social affiliation
4. Ego or Esteem
5. Self-actualization

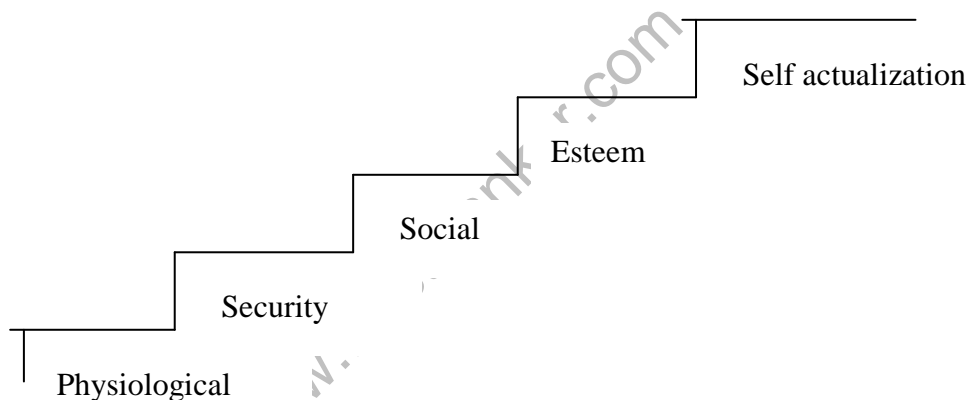
Nature of need	Description
Psychological	Food, clothing, shelter, etc. These are basic and inevitable for maintenance of life. These are recurring needs. The employer pays salaries with which these basic needs can be purchased.
Safety and Security	This the urge for freedom from present and future physical and economical hazards. Humans look for a protected environment. To meet this, employers make provision for Provident Fund, Gratuity, pension, Group Insurance, etc.
Social Affiliation	It is a desire to be loved and accepted by fellow beings. Interaction occurs between people who work together and coming into contact regularly. In their homes, family members and neighbors fulfill this social need. Sometimes managers misunderstand interaction and discourage them but face hostility and non-cooperation from subordinates.

Ego (Esteem)	This need arises after the physiological, safety and social needs are satisfied. Self esteem and self confidence are the vital elements in this process. A person desires to gain respect, recognition, status, attention and appreciation from others.
Self-Actualization	This desire crop up after other needs are satisfied. It is a philosophical and aesthetic need to attain moral maturity, contentment, autonomy, etc. This is man's longing for making the best use of his potentialities. The intelligent manager uses different styles to bring out the best in his subordinates.

### Hierarchy of needs

Maslow opined that people give importance to lower level needs and sequentially proceed to higher order needs, step by step. Relative satisfaction of a lower level need is a precondition for activation of the next upper level need. A satisfied need ceases to be a motivator and the individual looks for another need to motivate him.

### Maslow's Need Hierarchy



### Advantages

The following are the advantages of need hierarchy.

1. It is simple to understand
2. It is a general theory broadly applicable to a wide range of cultures
3. It gives an outline of how needs motivate and influence work behaviour
4. It gives an opportunity for managers to understand people's need at different levels of the organization and to motivate them according to their needs



### ***Limitations***

**The following are the limitations of need hierarchy.**

1. It is not giving any scientific method of measuring the needs.
2. It is not correct to assume that every individual follows the same step by step satisfaction of needs.
3. Not every one strives for higher level needs
4. Self-actualization is not a need at all. It is only a philosophical proposition
5. Motivation and needs are not directly linked. Same need may evoke different types of behaviors in different individuals.
6. People greatly differ in perception of their needs, relative superiority of one over the other and their willingness to fulfill them.
7. Humans are motivated by a complex variety of situations, needs and their own personalities.
8. Deprivation of a need may not always motivate. It may cause depression also

### ***Motivation-Hygiene Theory***

Frederick Herzberg developed his motivation – hygiene theory and found that knowledge about human nature, motives and needs could be invaluable to organizations and individuals.

His study involved extensive interviews with 200 accountants and engineers from eleven industries in the Pittsburgh area. They were asked to identify the things on their job which made them unhappy or happy. On the above basis Herzberg concluded that people have two different kinds of needs that are essentially independent of each other and affect their behaviour in different ways.

### ***Hygiene Factors***

The hygiene or maintenance factors were company policies and administration, working conditions; inter personal relations, money, status and security. They are related to the conditions under which a job was performed. These factors produce no growth in output but prevent losses in worker performance.

### ***Motivators***

Factors which involve feelings of achievement, professional growth and recognition are referred to as motivators.

The following points may be obtained from the Hertzberg theory:

1. Absence of job dissatisfaction does not mean presence of job satisfaction.
2. Hygiene factors keep motivation at zero level and only prevent discontent. But they do not have the capacity to ensure creditable performance.
3. The readiness and enthusiasm of the employees will be roused only by the job itself.

Hertzberg advised job enlargement and job enrichment. He wanted jobs to be made more interesting, meaningful and challenging. His theory is very appealing to practicing managers.

### ***Criticisms***

1. He depends on the self reports of the employees which may be biased.
2. The sample was unrepresentative and too undersized to draw general conclusions.
3. It is difficult to segregate the factors into two compartments.
4. Managers, employees and workers cannot be clubbed together. The factors may affect different levels in different ways.
5. There need not be any cause-effect relationship between satisfaction and performance.

### ***Achievement Motivation Theory***

David Mc Clelland and his associates brought out the theory of Achievement Motivation in the late 1940's. They concentrated their attention on three aspects only.

- a. The need for achievement
- b. The need for power
- c. The need for affiliation

### ***Need for Achievement***

A strong need for achievement is found in certain individuals, groups and communities. They find satisfaction in doing things in a commendable manner. They are wedded to their task and strive to overcome every hurdle on the way.

They are self confident and do not believe in luck. They look upon money as a symbol of their achievement but are not basically money-minded.

By extensive studies Mc Clelland found the correlation between achievement orientation and economic development. It is the entrepreneurial class which ultimately become prime movers of economic growth.

### ***Need for Power***

It is the desire to be influential in a group and dominate over one's environment. People with need for power and great performers. They like to hold positions of authority.

They seek position of leadership in politics, business, education or arts. Some seek power for the sheer pleasure of having it.

In an organizational context managerial behaviour is affected more by the urge for power than the need for achievement. They derive satisfaction form exercising their authority and getting things done.

### ***Need for Affiliation***

Persons with a high need for affiliation are sensitive to the feelings and views of others. They are keen on warm interpersonal relations, look for social support and friendships. They like and want to be liked. This is not predominant among managers. But this will greatly help them in influencing their subordinates.

Achievement motivation theory provides an insight into human behavior in general and managerial behaviour in particular. It also advocates training individuals to acquire these three needs.

<b>Theory 'X'</b>	<b>Theory 'Y'</b>
<i>People by nature:</i>	<i>People by nature:</i>
1. Lack Integrity	1. Have Integrity
2. Basically lazy	2. Work hard if committed

3. Avoid responsibility	3. Assume responsibility within their commitments
4. Are not concerned about achievement	4. Desire to achieve
5. Are incapable of directing their own behavior	5. Are capable of directing their own behaviour
6. Are indifferent to organizational needs	6. Want their organizations to succeed
7. Prefer to be directed by others	7. Are not passive and submissive.
8. Avoid making decisions	8. Will make decisions within their commitments
9. Mediocre	9. Bright

### **Theory 'X' and Theory 'Y'**

McGregor described theory X as a traditional theory of what workers think and behave. He questioned this theory. According to him, theory Y is a better representation of human behaviour.

#### ***Assumptions of Theory 'Y'***

1. The expenditure of effort is natural. An average individual does not dislike work.
2. External control is not the only means. Humans will exercise self control in the accomplishment of objectives to which he is committed.
3. The satisfaction of ego and self actualization needs can be the direct product of effort directed towards organizational objectives.
4. The average human being learns not only to accept but seek responsibility.
5. A high degree of imagination, ingenuity and creativity is widely distributed in the population.
6. Intellectual abilities are, in general, only partially utilized.

#### ***Usefulness***

1. McGregor's theory was extensively discussed and influenced management thought significantly.
2. Several studies have been made to test the relevance of his theory X and Y.
3. It is consistent with the modern notions of dignity and decency of work.
4. It asks managers to be sensitive to the feelings and needs of these subordinates.

5. It encourages freedom and flexibility to the workers so that they can develop and contribute towards the betterment of the organizations.

### ***Criticisms***

1. There is no average employee as described in Theory 'X' and Theory 'Y'. Humans display different behaviour.
2. There are several employees/workers who are lazy, resistant and indifferent. There are several others who are intelligent, dynamic and healthy. Uniform application of Theory Y to all individuals is an impossibility.
3. Similarly there are managers who are very liberal and friendly with their subordinates while some other managers are arrogant and look down upon their subordinates.
4. The two theories are extreme stereotypes and none of them is wholly applicable in practice.
5. The situational aspects, nature of work, nature of subordinate etc. are completely ignored.
6. When there are senior managers who handle other managers this theory is not suitable.
7. Nothing has been mentioned about managerial motivation. Concentration is made only on subordinate satisfaction.

### ***Vroom's Valence-Expectancy Theory***

Attacking Herzberg's two-factors theory, Vroom offered an expectancy approach to the understanding of motivation. According to him, a person's motivation towards an action at any time would be determined by his anticipated values of all the outcomes of the action multiplied by the strength of that person's expectancy that the outcome would yield the desired goal.

In other words, motivation is a product of the anticipated worth to a person of an action and the perceived probability that person's goals would be achieved.

Vroom's Theory may be expressed by the following formula:

$$\text{Force} = \text{Valence} \times \text{Expectancy}$$

Where force is the strength of a person's motivation, valence is the strength of an individual's preference for an outcome or goal, and expectancy is the probability that a particular action will lead to a desired outcome.

Thus, if an individual has a particular goal, some behaviour must be produced in order to achieve that goal. He will weigh the likelihood that various behaviours will achieve the desired goals and if certain behaviour is expected to be more successful than others, that particular behaviour will be preferred by the individual.

The important contribution of Vroom's model is that it explains how the goals of individuals influence their efforts and that the behaviour individuals select depends upon their assessment of the probability that the behaviour will successfully lead to the goal. For instance, all people in an organization may not place the same value on such job factors as promotion, high pay, job security and working conditions. In other words, they may rank them differently. Vroom is of the opinion that what is important is the *perception and value the individual place on certain goals*.

Let us assume that one individual places high value salary increase and perceives superior performance as instrumental in achieving that goal. According to Vroom, this individual will strive towards superior performance in order to achieve the salary increase. On the other hand, another individual may highly value promotion and perceive political behaviour as instrumental in achieving it. This individual is not likely to emphasize superior performance to achieve the goal.

In essence, Vroom emphasized the importance of individual perceptions and assessments of organization behaviour. What is important here is that *what the individual perceives as the consequence of a particular behaviour is for more important than what the manager believes the individual should perceive*. Thus, Vroom's model attempts to explain how *individual's goals influence his efforts* and like Maslow's and Herzberg's models, reveals that behaviour is goal-oriented.

### ***Techniques of Motivation***

Some of the motivational techniques are briefly explained below:

#### ***1. Monetary Incentives***

The term monetary incentives include pay revision or increase, fringe benefits, bonus etc. Monetary incentives have more motivation power than non-monetary incentives.

## *2. Job-Based Techniques*

Job-based techniques cover job simplification, job rotation, job enlargement, job enrichment, job analysis and evaluation. Job enrichment increases the awareness of purpose of performing particular job. Job rotation reduces the monotony of the work to some extent. Job enlargement develops the number of operations.

## *3. MBO Techniques*

Both workers and managers participate in the determination of area of responsibility and the expected results. They used MBO as guidance for operation and assessing their contribution towards organizational development.

## *4. Leadership Techniques*

Autocratic, democratic and persuasiveness are some of the styles of leadership. They have, their own implications for workers' motivation in the short run as well as in the long run.

## *5. Sensitivity Training*

This type of training is given to groups of managers. They, in turn, motivate their subordinates after receiving sensitivity training. Sensitivity training helps the managers to understand themselves better, develop insight into work situations, scientific thinking and acquire behavioral skills in dealing with subordinates.

## **Summary**

An understanding of the process of motivation is of fundamental importance to the marketer, not only because of the implications for product formulation and promotion strategy but also because of the implications for the retailer who aims to achieve a high level of job performance by his staff. Motivation is the driving force within individuals that impels them to action and human needs are the basis for motivation. This is the term given to describe the interrelationship between needs, behavior aimed at overcoming needs, and the fulfillment of these needs. The organization goals are achieved through right direction of human behaviour in a desired manner. Before guiding or directing the employees, the reasons for such behaviour should be identified. The marketer can correctly motivate the shoppers based on such reasons. Motivation refers to the way a person is enthused at work to intensify his desire and willingness to use his energy for the achievement of organizational objectives. It is something that moves a person into action and continues him in the course



of action enthusiastically. Several theories have been put forth by experts in the field of Behavioural Sciences- Need Hierarchy Theory (Abraham Maslow), Motivation - Hygiene theory (Frederick Herzberg) (also known as Two factory theory), Achievement Motivation Theory (David McLlelland), Theory X and Theory Y (Douglas McGregor), Vroom's Valence-Expectancy Theory.

### **Self Assessment Questions**

1. Explain the Meaning and Definitions of Motivation.
2. Examine the Importance of Motivation.
3. Discuss the Theories of Motivation.
4. What are the Techniques of Motivation?

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### Lesson 3.4 - Customer Buying Roles

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#### Learning Objectives

- Understand the influence of family members on purchase decisions.
- Examine different buying roles played by family members.

#### Introduction

The concept of buying roles is developed in order to structure large scale sales in complex corporate environments. In a firm, a purchase depends on the person making the purchase decision as well as on the employees concerned with improving the effectiveness and development of the operations who want to exert influence.

There are different roles that persons can play in buying decisions. The initiator is people who first suggests or think of the idea of buying the particular product. For example, publisher of a book initiates the professor to ask the students of his class to purchase the book. Here publisher is the initiator, the first person to initiate the buying process. Influencer is a person who explicitly or implicitly has some influence on the final buying decision of others. Students are influenced by the advice of the professor while taking a decision to purchase a book. Here professor is the influencer. The decider is a person who ultimately determines any part or whole of the buying decision, i.e., whether to buy, what to buy, how to buy, when to buy or where to buy. Children are the deciders for buying the toys, house lady for kitchen provisions, and head of the family for durable or luxury items. The buyer is the person who actually purchase. Buyer may be the decider or he may be some other person. Children (deciders) are the deciders for purchasing the toys, but purchases are made by the parents. User is the person who actually uses or consumes the services or products.

The marketer's task is to study the buying process and its main participants and their role in the buying process. He should initiate all of them to make the purchases of his product at different stages and through different strategies.

The family unit is usually considered to be the most important "buying" organization in society. It has been researched extensively. Marketers are particularly interested in the

roles and relative influence of the husband, wife and children on the purchase of a large variety of products and services.

There is evidence that the traditional husband-wife buying roles are changing. Almost everywhere in the world, the wife is traditionally the main buyer for the family, especially in the areas of food, household products and clothing. However, with increasing numbers of women in full-time work and many men becoming “home workers” (or “telecommuting”) the traditional roles are reversing.

The challenge for a marketer is to understand how this might affect demand for products and services and how the promotional mix needs to be changed to attract male rather than female buyers.

## **Buying Roles**

### ***The Initiator***

Any member of the family can express the need for a product or service. Quite often, the product in question would not merely be for the initiator's personal use but for use by the entire family. The need for a particular product in a family may remain latent till it is triggered by certain internal or external stimuli. Internally, some of the normal needs may rise to a threshold level and become a ‘drive’ when one or more of the members express the desire to buy the product and the thought is shared among different family members. Externally, various stimuli such as advertisements or word of mouth publicity can lead to the initiation process. The nature of the consumer durable product to be purchased and the demographic characteristics (sex, age, level of education, income etc.) of the concerned family members govern the behaviour of the initiators. It is hence important to identify the initiators for different products.

### ***The Influencer***

The influencer is a person whose views carry some weight in the final decision. Broadly, family members acting as influencers express their views regarding the features available in a particular product and the brand to be selected. Unlike the organizational buying process, in the case of a family, the influencers do not usually have expertise but assume their respective roles on the basis of the family dynamics. The role of an influencer spans across stages II and III (information search and evaluation of alternatives) of the decision-making process. Once the decision to buy a particular consumer durable product is made and announced, family members may provide what information is available to

them about the product, and may even be assigned to gather information. For collecting additional data, the influencers may use any of the four basic sources of information, viz. personal, commercial, public and experiential. The degree of acceptance of the information and the preferences of the influencers may, however, vary. Although there is a separate role for the 'decider', the degree of consideration of the ideas and suggestions depends upon all the members who are acting as influencers. The person whom the influencers confide in assumes the role of the moderator. The same person may also instruct the members to collect the desired information.

### ***The Decider***

As the family progresses with the decision-making process, on the basis of the information collected in the previous stages, a member assumes the responsibility for finally deciding the characteristics of the product to be purchased and executing the decision with regard to the brand, the vendor, the timing and the payment method. Although various members of the family act as influencers offering their opinions and gathering information, it is finally the decider who sifts this information for his/her use. The role of a decider is very important for the family, as the decision-maker is responsible for the trade-off with alternative products and is the final authority on the product to be purchased.

This indicates that a typical Indian family is male dominated especially when it comes to the final decision about the purchase of an expensive household item such as a consumer durable product. Although more female members are now working outside the home, the main breadwinner in Indian families is still a male member and for a high value product the main financial contribution is likely to come from the male members.

### ***The Actual Buyer***

In the context of this study, the term 'buyer' refers to the family member(s) who are physically involved in the process of purchasing a product. Traditionally, in North India, it is considered auspicious to purchase a consumer durable product on Dhanteras, the day preceding Diwali. Prayers are performed in the night and the purchased product is accorded due importance. Similar sentiments also prevail in other parts of the country on different important festivals. In view of these market characteristics and consumer behaviour, it can be expected that the responsibility of purchasing the product would be bestowed on the most important person in the household.

Although this is a very advanced stage in the decision-making process when most things have been discussed and decided, the buyer is still exposed to the influence of the

retailer. It is important to assess as to what extent the buyer is aware about the different aspects of the product to be purchased and how far the retailer is able to influence the purchase decision. Both these aspects have far-reaching implications for the marketer when he balances the push and pull selling strategies. The role of a buyer corresponds to stage IV (purchase decision) of the decision-making process. The product finally purchased by the buyer shall decide subsequent post-purchase behaviour.

### ***The Product User***

Although almost all the members of a family are beneficiaries of the product, it is imperative to identify who actually qualifies as the end-user of the product, and how satisfied the user is with different aspects of the product. Since so many members have influenced the purchase decision, it is possible that user satisfaction may vary on different counts. For instance, children may be the real users of an audio system that has been purchased after the collective influence of various family members. The children may or may not be fully satisfied with the product, which is reflected in their post-purchase behavior. (The role of a user corresponds to stage V— Post-purchase behavior of the decision-making process.) The users may or may not recommend the product to others on the basis of their satisfaction levels. This has serious implications for the marketer since word of mouth plays a very important role in the purchase of consumer durable products.

### **How do Families buy?**

Shopping behavior of both the sexes is undergoing a change due to change in family unit and lifestyle. Specially, the role of women in retail shopping has changed significantly.

Basically, women are more attuned to shopping and enjoy the process. They like to enjoy their time in evaluating a lot of merchandise before coming to a decision.

Relatively, they are more value conscious and fewer brands conscious. Women do not like to be hurried during shopping and this calm, deliberate attitude explains why price negotiation during shopping is always left to women. Their temperament is inherently better suited to this particular activity.

Men, on the other hand, are often less patient, more decisive, more brands conscious and they usually make up their mind quickly with less effort.

According to the senior manager of an Indian retail stores, lady customers visit them both during the week and on weekends. On weekdays, they either shop alone or with

female companion. They usually buy for themselves and spend more time. On weekends, they shop with the family, buy for the family and spend less time.

To comprehend this, let us take an example of two large departmental stores for sales of ladies designer. Both were equivalent in terms of offer and attraction. But in first case, there was no allowance made to men accompanying their wives to the sale. It was observed that men were either sitting idle on staircase or staring blank into space or alternatively looking at their watches. This phenomenon would definitely effect wives' shopping adversely.

In another case, sale was during cricket world cup. Store management installed a large TV screen on the floor where the sale was on. This kept non-shoppers occupied in watching match in A/c environment.

On such occasions, men must be made comfortable by amenities that they may appropriate, by assigning certain portion of the shop for their perusal.

Male and female shoppers differ in some ways. As male shoppers usually do not ask for the direction while the female shoppers enjoy interaction with sales staff and do not hesitate in asking for direction.

It can be illustrated through an example, when men shop for shirts, they need less guidance and they directly go for their favorite brands and make quick decisions. So, the signage on the shirts floor should be self-explanatory and lead the customer to merchandise. If a man has to search hard for his favorite brand, he may leave the shop. Westside, a store in Mumbai is an example of using signage excellently and helping them in reaching to their favorite brands. Cosmetic sections have few male cosmetics also. But they are usually sold from female cosmetic stalls. So, men will spend less time at female dominated shopping space. Opening a separate male cosmetics counter may become successful. The trend is reverse for technology drive products. As men consider themselves technology literate, they spend more time in studying the technical features of the product. While women concentrate on functionalities of the products.

## Summary

There are six buying roles different family members play different roles at different periods of time. The same person may be decider, influencer, initiator, buyer, consumer etc. Initiator identifies the need to buy a particular product or service to solve an organizational problem. Influencer influences the buying center's buyers and deciders. Decider ultimately

approves all or any part of the entire buying decision — whether to buy, what to buy, how to buy, and where to buy. Buyer holds the formal authority to select the supplier and to arrange terms of condition. User consumes or uses the product or service. Gatekeeper controls information or access or both, to decision makers and influencers.

### Self Assessment Questions

1. What are the different buying roles played by family members in the purchase of products?
2. Explain the role of marketer in influencing and understanding different roles played by the family members in the purchase decision.

### CASE STUDY

*Read the following case and answer the questions given at the end.*

Modern retailing in India is currently witnessing a transformation where traditional markets give way to the emergence of department stores, supermarkets, hypermarkets, specialty stores and malls. Rated the fifth most attractive emerging retail market, India topped the Global Retail Development Index of 30 developing countries drawn up by A T Kearney. Indian retail sector is estimated to be at ₹ 1050,000 crore (US\$ 233 billion) – growing at five per cent annually – and the estimated share of organized retail is only ₹ 36,000 crore (US\$ 8 billion), at present, albeit growing at over 30 per cent every year. Projections by the Images-KSA India Retail Report 2005 of an organized retail market of ₹ 100,000 crore (US \$ 22 billion) by 2010 now appears conservative, likely to be achieved much earlier than 2010.

In this backdrop of retail emerging as one of the sunrise service sectors of India, Reliance Retail of Mukesh Ambani has envisaged a blue print of 1,575 nation-wide chains of hypermarkets, supermarkets, discount stores, department stores, convenience stores and specialty stores, in about 800-odd cities and towns across the length and breadth of India. The RIL board of directors approved the initial phase of the retail foray at an estimated cost of ₹ 3,350 crore (US\$ 750 million).

Their targeted sales turnover of ₹ 90,000 crore (US\$ 20 billion) by 2010 with a planned investment of ₹ 30,000 crore over the next five years – that's the retail vision of Mukesh Ambani and his RIL retail team. RIL's retail venture seems all set to achieve the



status of being the flag-bearer of India Retail Inc, and that too in record time! It dwarfs India's current numero uno in organized retail chain, Pantaloon Retail, which currently has an annual turnover of US\$ 240 million from its 84 outlets spread over 30 cities and has projected revenues of US\$ 2 billion by 2009.

Reliance Retail's much-awaited launch of 11 Reliance Fresh outlets – which sell fruits, vegetables and dairy products – at one shot in Hyderabad in the first week of November, 2006 undoubtedly turned out to be the mother of all launches. A senior Reliance executive said that the stores were doing “extremely well.” The 11 stores saw an average of 25,000 customers pouring in with average bill sizes “upwards of ₹ 100”. Each of the stores area expected to sell around five tones of fruits and vegetables a day but, an executive said that the second-day response was so good that each store sold over 10 tonnes!

On price front, Raghu Pillai, President and CE said: “Indeed, we are competitive but our USP is the range and freshness that we will offer, there will be at least 170-180 SKUs (stock keeping units).” ‘Namaste’ greets the Reliance floor assistant, as one enters the up market Banjara Hills. As you stroll around the store, one realizes that the décor is very simple yet striking. The design and styling of the stores took a lot of research and inputs from not only India but also abroad. Stocked on the stands are fresh, inviting vegetable. Asked too about the staff uniforms, part comes the reply: the denotes brightness, power, warmth, optimism, dynamism and auspiciousness while green signifies nature, freshness and health. These colours blend with the traditional Reliance blue, denoting reliability, seriousness and calmness.

### Questions

- 1) Customer on the marketing strategy of Reliance Fresh.
- 2) What is the marketing mix of Reliance Fresh?
- 3) What do you expect from the competitors in the days to come in the light of this mega launch of Reliance Fresh?

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## UNIT - IV

### Unit Structure

Lesson 4.1 - Stages in Retail Buying Decision Process

Lesson 4.2 - Information Search and Alternative Evaluation

Lesson 4.3 - Brand Choice and Post Purchase Dissonance

Lesson 4.4 - Brand Loyalty

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### Lesson 4.1 - Stages in Retail Buying Decision Process

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### Learning Objectives

- Understand retail buying decision process
- Examine different stages in buying decision process

### Introduction

In day to day life people take different decisions. Almost all of us are involved in taking decisions affecting our lives. Some decisions may be very crucial while others may not be that significant. However, one goes through a process while taking decisions that means decision making involves a process. Purchasing a laptop involves a big decision making process. A person collects information about different brands of laptops and evaluates different brands and chooses one best brand taking into consideration different parameters like price, configuration, brand name, after sales service etc.

### Types of Consumer Decisions

There are a great number of decision options available for consumers in today's economy. However, they all can be filtered into five main types of decisions.

- i. What to buy
- ii. How much to buy

- iii. Where to buy
- iv. When to buy
- v. How to buy

**What to buy** is the most fundamental task of the purchase process. Without this decision no buying activity can take place. With this particular decision, consumer moves closer to completion of the overall consumer decision process.

Next determination is **where to buy** from. Two products may be physically same but can be perceived differently because of some extra facts attached with them. For example, consider the sale of air conditioner at two stores.

One with delivery, installation and in-home service and other on no fill basis in a discount house with none of the facilities and service but at a lower cost. It is most likely that the consumers will perceive the same air conditioners differently on the basis of price and services attached to them.

What is purchased is closely related to **where to purchase** from. Because all the stores are not same and consumer can decide on the basis of location, services offered, merchandise lines, price, etc.

The consumers must also decide when to buy. This factor is influenced by the urgency of need and the availability of the chosen item. Other factors such as store's opening time, periods of sales and clearances, etc. also have a bearing on one's purchase.

**How to buy** is a complex issue. Many factors affect how the consumer buys. The examples of the ways in which consumers can buy are shop extensively or buy from the first outlet, pay cash or charge it, have it delivered or take it home, etc.

At the heart of retail marketing is the understanding of shopper behaviour, how people think, how they feel and how they act at any given time in any given situation – emotional branding, if you like.

This may seem to be an overwhelming subject to tackle, and one that has infinite permutations, but if you can grasp how your shoppers act and what influences them.

These include sensory effects such as colour and smells, priorities at different times of day or even external factors that affect the choices people make; you are a step closer to understanding how to influence shoppers by your in-store marketing.

At bezier, we use a model called 'Jane Brown'. An average working woman (who account for 80 per cent of retail spend), we use Jane to show her various shopping modes depending on shopping occasions and 'mission'.

Modes include 'fraught and functional', which relates to the weekly, possibly child hampered, and grocery shop when Jane just wants to get in and out with what she needs.

Understanding this pattern can help with the development, for example, of clear navigational signage, clear category management and clear labelling to develop loyalty and ensure Jane has the smoothest shop possible.

Another very different mode is '*me me me*' mode, in which Jane requires something completely different from the retail environment.

In this shopping mode, Jane is out on her own, shopping for herself, looking for a luxury item or treat.

In this situation, she wants to be inspired and drawn in to her environment, so more complex messages, imagery and layouts can be used.

The beauty of using Jane as a shopper model is that she can be bestowed with different characteristics, acting in certain situations, and by thinking about her as a person, it becomes easier to see how important the retail environment is.

We are developing other models very much along the same lines to explain behavior in more specific markets such as youth, the grey market and 'metrosexual' males.

Along with helping clients understand shopper behaviour, we have recently completed several projects working with major retail organizations to audit their retail space – for example how many gondola ends there are, the size of the foyer, or how much wall and floor space there actually is.

This valuable service has numerous benefits: making sure materials are fit for purpose, ensuring that compliance issues with POP are reduced, saving money, and enabling large organizations to communicate on a store by store basis.

Both of these important issues, shopper behaviour and fully understanding your retail space, help greatly with that key measurement at the heart of marketing plans – the return on investment.

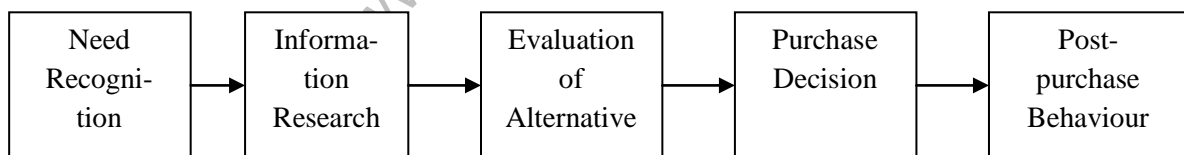
Demand for ROI is growing, and with increased pressure to justify expense, more detailed information and Retail shopper insight just gives more power to your elbow. In-store marketing has an ever-growing part to play in Retail shopper experience, make sure yours is as effective as it can be.

The Retail shopper buying process is a complex matter as many internal and external factors have an impact on the buying decisions of the consumer.

### The Buyer Decision Process

The major influence of the buyer decision is to cope with the buyer's decision process. If the marketer reads the major factors wrongly, reading of the buyer's decision process would also be affected. The buyer might be one and the user might be another person. To properly understand buyer decision process, one must first understand the buying roles. Initiator (daughter first brings the idea, for example, of buying a TV from recent exchange offers); Influence (Daughter's friends influence her view); Gate-keeper (Father informs that there is no budget and the offers are fake. Father is unwilling to go for exchange offer); Decider (Mother, therefore decides to further the wishes of her daughter); Buyer (Father and Mother go to shop and buy the Television), and User (the family uses Television for education, entertainment, and enjoyment).

The purchaser or Retail shopper takes his buying decision, for some commodities immediately without much consideration such as items of daily use while for some other commodities mainly luxury or durable items, he thinks much before taking a decision to purchase it. Sometimes, he consults others. Generally, the purchaser passes through five distinct stages in taking a decision for purchasing a particular commodity.



**Buyer decision process**

- (i) **Need Recognition:** The buying process starts with need recognition. A need can be activated through internal and external stimuli. The basic need of a common man arises to a threshold level and becomes a drive and he knows from his previous experience how to satisfy those needs like hunger, thirst, sex etc. This is a case of internal stimulus. A need can also be aroused by an external stimulus such as sight of a new thing in a shop while purchasing other things.

There is two-fold significance of need recognition stage to a marketing man.

- a) First, the marketer must identify the drive and might actually or potentially connect to the product class or band and make the buyer feel that the product can satisfy the drive, he feels, and
  - b) It also helps recognize that the need levels for the product fluctuate over time and are triggered by different cues. The marketer can arrange cues to conform better to the natural rhythms and timing of need recognition.
- (ii) **Information Research:** After need recognition, the Retail shopper tries to solve it and gathers the sources and information about the product.

Depending upon the intensity of need, it produces two states of individual. The first state is called heightened attention when the Retail shopper becomes more receptive to the information regarding the item he needs. He becomes alert to information bearing on the need and its gratification. If a Retail shopper needs to purchase car will pay mere attention to car Ads,

If need is more intense, the individual enters a state of active information research and he tries to collect more information about the products, its key attributes, qualities of various brands and about the outlets where they are available. There are four Retail shopper information sources:

- a) Personal Sources (family, friends, neighbours, etc.)
- b) Commercial Sources (advertisements, salesmen, dealers)
- c) Public Sources (mass-media, consumer-rating organizations)
- d) Experimental Sources (handling, examining, using the product).

The marketer will find it worthwhile to study the consumers' information sources – whenever (a) substantial percentage of the target market engages in overt research and (b) the target market shows some stable patterns of using the respective information sources. Identifying the information sources and their respective roles and importance calls for interviewing consumers about the sources of information and can use the findings to plan its advertisements.

- (iii) **Evaluation of Alternatives:** Having collected the information, the Retail shopper clarifies and evaluates an alternative. There is unfortunately no simple and single evaluation process used by all consumers or even by one Retail shopper in all buying situations. The most current process of evaluation is to judge the product largely on

a conscious and rational basis. Various considerations form the part of judgment such as product attributes, importance weights, brand image, utility function for each attribute, and attitude etc. After evaluation of various alternatives, he takes the decision to buy.

On the basis of the evaluation behaviour of consumers, the marketer can improve or develop the product, segment the market on the basis of product-attributes. He can compare the competitors' product attributes and take the decision about marketing strategies.

**(iv) Purchase Decision:** Evaluation behavior leads the Retail shopper to form a ranked set of preferences. Normally a Retail shopper buys the article, he likes most but there are three more important considerations for taking the buying decision:

- (a) Attitude of others such as of wife, relatives, and friends, but it depends upon the intensity of their negative attitude and the consumers' motivation to comply with the other person's wishes;
- (b) Anticipated situational factors as expected family income, expected total cost of the product and the expected benefits of the product;
- (c) Unanticipated situational factors as looks or manner of the salesmen or the way business is carried on or worry about his income situation.

The marketer must consider these factors and should try to provoke the feeling of risk in the Retail shopper and attempt to provide information and support that will help him.

**Post-purchase Behaviour:** After buying and trying the product, the Retail shopper will feel some level of satisfaction or dissatisfaction and level of satisfaction depends very much on the expectation and the product's perceived performance. If the product matches up to his expectations, the Retail shopper is satisfied; if it exceeds, he is highly satisfied; and if it falls short of expectations, he is dissatisfied. Consumers form their expectations on the basis of messages and claims sent out by the seller and other communication sources. If seller makes exaggerated claims, the Retail shopper will naturally feel dissatisfaction. So, the smart seller must make claims about the performance of the product that are congruent with its quality so that the Retail shopper would feel satisfied.

The existence of the customer is integral to the existence of the retailer. The ability to understand consumers is the key to developing a successful retail strategy. A key factor in understanding customers is identifying the customers for the product or service, i.e., the target segment, and the demographics of this segment, their needs and buying behavior.



The behavior of retail shoppers varies across markets. A mix of factors like the range of merchandise sold in the store, the convenience of the outlet, the time spent on travelling to the store, the socio-economic background, the culture and the stage of the family life cycle that the customer is in, all influence the buying behavior.

Recognition of the need for a product or a service is the first stage that may lead to a consumer buying. The need may be psychological or functional. In the next stage, the consumer seeks information about the product and the place where he can make the purchase. Depending on the criteria important to him, the consumer evaluates the various options available and narrows down the choice to a few stores where he may make the purchase. A buying decision is then made. The experience during and after the purchase leads to satisfaction or dissatisfaction with that particular store. In a short span of a little over ten years, the change that has occurred in the Indian consumer is phenomenal. Liberalization and a steady economic growth have been the main factors that have driven this change. Retail strategy is largely information based. The gathering and analysis of data relevant to the retailer is done by market research. From the retailer's perspective, market research needs to be done prior to the setting up of a retail store and after setting up the retail store. The information needed at both the stages varies significantly. In a world of increasing competition, research can aid the retailer in satisfying the customer and thereby, building loyalty.

## Summary

In day to day life people take different decisions. Almost all of us are involved in taking decisions affecting our lives. Some decisions may be very crucial while others may not be that significant. However, one goes through a process while taking decisions that means decision making involves a process. Purchasing a laptop involves a big decision making process. The purchaser or Retail shopper takes his buying decision, for some commodities immediately without much consideration such as items of daily use while for some other commodities mainly luxury or durable items, he thinks much before taking a decision to purchase it. Sometimes, he consults others. Generally, the purchaser passes through five distinct stages in taking a decision for purchasing a particular commodity.

## Self Assessment Questions

1. Describe retail buying decision process?
2. Examine different stages in buying decision process.

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## Lesson 4.2 - Information Search and Alternative Evaluation

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### Learning Objectives

- Understand information search process
- Examine alternative evaluation process

### Introduction

The customer looking into booklets, pamphlets, and brochures reflects the active information state. He may also seek additional information from friends and experts. Marketers prefer to influence customers with own reading material, but the customer can go beyond to others. The sources of information for a customer are:

Personal: Family, friends.

Commercial sources: Like advertising, dealers, magazines, displays.

Public sources: Mass media, consumer rating journals.

Experiential sources: Like a tryout of the product, actually handling the product.

The relative influence of these sources depends on the buyer's characteristics, the product features and image, and product price. In general, the more popular products provide more effective information, like Colgate, the Pizza Hut, Hero Honda, and the like.

The commercial source provides the most information, as the case should be. But in the modern world or aggressive advertising, customers prefer personal sources, since they get highly confused from the excess advertising. For some customers the preliminary information comes from commercial sources and the reinforcement or confirmation occurs from personal sources.

No customer really comes to know about all brands. Only he knows a small cluster. This is sometimes known as the 'awareness set'. From this set, a few which fulfil buyer criteria is known as the 'consideration set'. It is from the consideration set that the customer makes his final choice.

It is vital that a consumer gathers information. Retailers have to get the consumer to become aware of their products. The retailer will have to recognize the sources of information of a customer and judge their relative importance.

The first few minutes spent by sales people with a new customer are very important in identifying many customer characteristics, like the customer's awareness of brands, his/her information sources, and the influencing elements.

### **Nature of Information Search**

Whenever you recognize a problem such as some household appliance stops working, what is the response to such recognized problems. Most probably, one would think how he has solved a particular problem in the past. It might provide a satisfactory solution to implement. Otherwise, one will search for additional information. Once a problem is recognized, one uses its long-term memory to find out if some satisfactory solution is known. What are the appropriate ways to compare the potential solutions? It is called internal search. When one can't find solution from 'internal search,' relevant external information is sought to solve the problem. It is called 'external search.'

Many problems are solved by consumers on the basis of knowledge and information. If a consumer gets a single satisfactory solution in response to a problem, no further information search takes place. The consumer purchases the recalled brand. It is called 'nominal decision making.' For example, if a consumer feels headache, he might recall that Disprin has given him relief in the past and he will go to the nearest store and buy it without further information search.

Similarly, a consumer might notice a new product in a store due to the attraction of point-of-purchase display. Then the consumer will read the attributes and usage of the product and recall an unresolved problem that the product would resolve. And purchase is made without seeking additional information. It is called "limited decision making.' If the consumer looks for other brands that will solve the problem or he had seen the product with the same attributes in other store at lower price, it will also be the example of limited decision making using both internal and external information.

In 'extended decision making,' relatively more importance is given to external information search. Internal information that also provides alternatives, characteristics of various alternatives is 'extended decision making. Once the consumer has recognized a problem, they search for information on products and services that can solve that problem. Belch and Belch (2007) explain that consumers undertake both an internal (memory) and an external search.

Sources of information include:

- Personal sources
- Commercial sources
- Public sources
- Personal experience

The relevant internal psychological process that is associated with information search is perception. Perception is defined as “the process by which an individual receives, selects, organizes, and interprets information to create a meaningful picture of the world”. Consumers’ tendency to search for information on goods and services makes it possible for researchers to forecast the purchasing plans of consumers using brief descriptions of the products of interest.

At this time the consumer compares the brands and products that are in their evoked set. How can the marketing organization increase the likelihood that their brand is part of the consumer’s evoked set? Consumers evaluate alternatives in terms of the functional and psychological benefits that they offer. The marketing organization needs to understand what benefits consumers are seeking and therefore which attributes are most important in terms of making a decision. It also needs to check other brands of the customer’s consideration set to prepare the right plan for its own brand.

#### **External information includes**

- The opinions, attitudes, behaviors and feelings of the persons around;
- Professional information from articles, books, personal contacts and internet;
- Information provided in advertisement and/or by sales personnel

Deliberate information search also takes place in the absence of problem recognition. Ongoing search is usually done for future use, pleasure and satisfaction.

#### **Types of Information Sought**

A consumer decision requires the following information:

- i. The appropriate evaluation criteria to solve a problem;
- ii. Existence of alternative solutions;
- iii. Performance level of each evaluation criterion for each alternative solution.

### *Sources of Information*

There are five primary sources of information available to consumers.

- Past memory, personal experience and low-involvement learning personal sources
- Independent sources such as books, magazines, government agencies, etc.
- Marketing sources, such as advertisements and sales personnel
- Experiential sources, such as inspection or product trial
- Personal sources such as friends, family and others

Internal information is the primary source to most of the consumers most of the time. However, information in memory is initially obtained from external sources. So, consumer can resolve consumption problem using mainly stored information.

Marketing originated messages are one of the five primary information sources and they are found to be limited direct value in consumer decisions. Marketing activities influence all the five sources.

Characteristics and distribution of the product and the promotional messages about the product provide the basic information available in the market. Personal sources such as friends, relatives, etc. must base their information on experience with the product or promotion. Substantial marketing activity is designed to influence the information that consumers receive from non-marketing sources.

### **Information Search on the Internet**

Internet is the network of computers so that any computer can be connected through phone and modem. It consists of websites with specific addresses. These websites can be found through search engines. Search engines are the programs designed to search the network and provide address to the user with the requested characteristics. Presence of internet is altering information search in ways that are not yet understood. The convenience, depth and variety of information available on the internet is changing the nature of consumer information search.

### **External Information Search**

Marketers are mainly interested in external information search because it gives them direct access to the consumers. Most purchases are the result of nominal and limited decision making. So, very little or no external information search takes place before the

purchase. It is true particularly for low-cost convenience goods. Here, we will focus on durables, appliances, professional services, etc. in which substantial information search takes place prior to purchase.

Different measures of external information search used are (a) number of stores visited (b) number of alternatives considered (c) number of personal sources used and (d) overall or combination measures. Although these measures of search efforts assess a different aspect of behavior, each measure supports one observation. External information search is skewed towards limited information search, with most consumers performing little or no external search before the purchase.

According to the survey of shopping behavior, all durable purchases are made after visiting only one store. The number of alternatives considered also shows a limited pre-purchase information search. The number of alternatives for brand and/or model increases as the price of the product increases. Measures of use of personal and non-market information sources show limited level of search.

### **Alternative Evaluation**

Probably the most difficult step is to compare alternatives. The issue is whether customers are rational enough to compare alternatives on the basis of well-derived criteria or not. The customer does not always adopt the rational process.

Perceptions vary among consumers. For a restaurant, one customer may like to view cleanliness and hygiene criteria; another may consider menu variety as the most important. The third may only view the variety of vegetarian food as very significant.

Suppose a consumer wants to buy a PC. The first thought that would strike him is the features that he requires in the PC. Then consumer engages himself in internal information search to determine the characteristics of the PC.

These desired characteristics are evaluative criteria. If the consumer does not have required exposure to the computer market, he might go for external search to learn the characteristics that a good computer should have.

One of the objectives of internal and external search is to determine the appropriate evaluative criteria marketers want consumers to use evaluative criteria that match with their brand strength. So, they provide information to influence the evaluative criteria used by consumers.

### **Appropriate Alternatives**

After searching for evaluation criteria, consumer seeks appropriate alternatives. The set of potential solutions that the consumer is considering or aware of, is called consideration set or awareness set. This set is composed of three subcategories. They are evoked set, inert set and inept set. Evoked set is the set of alternatives that the consumer is going to consider.

If the consumer's evoked set is not adequate, he will engage in external search to find additional alternatives. If the consumer is satisfied with the evoked set, his information search will be focused on the performance of the products in the evoked set. So, evoked set plays an important role in subsequent information search and purchase.

Inert set is the set of alternatives, consumer is aware of but indifferent towards the products and/or brands. Consumers accept favorable information about the products and/or brands in inert set, but they don't seek for the information about them. They are acceptable when none from evoked set is available. Inept set is the set of alternatives that consumer actively dislike or avoids. Any positive information also will not be processed and considered.

### **Alternative Characteristics**

The consumer compares the products on the basis of evaluative criteria to choose from the evoked set. It requires a consumer to gather information about each product and brand relevant to each evaluative criterion. Consumer engages in internal and external search for the following reasons:

- Appropriate evaluative criteria
- Existence of potential solutions
- The performance of potential solutions

Nominal and limited decision making needs very little or no external research. Extensive search usually occurs only with a few consumption decisions. Consumers sometimes acquire information without deliberate search though low-involvement learning.

Some customers are more rational than others, and judge products on the basis of attributes. But even among these customers, brand beliefs, and brand image can make them seek attributes in tune with their beliefs, which can cloud their perceptions. But the rational consumer will not stray too much.



Some commonly sought attributes are:

- Toothpaste – Taste, whitening ability, deodorant capability.
- After shave – Fragrance
- Motor bike – Maximum speed, fuel consumption, low on maintenance
- Packaged grain – Well-known brand, quality packaging, without adulterations
- Portland cement – Established brand, sound packaging

A customer remarked that it was difficult to compare cement from various companies, since all of them appeared to possess similar attributes, and the prices were also the same.

There are two types of decisions that consumers make for purchasing. Nominal decision making and extended decision making. In nominal decision making, problem is recognized and long term memory provides a single preferred brand and that brand is purchased. In extended decision making, information search increases, alternative evaluation becomes more extensive and complex.

Problem recognition takes place when there is significant different between a consumer's actual and desired state. The desired state is influenced by culture, social status, reference groups, financial status, motives, emotions and current situation, while actual state is influenced by normal depletion, product performance, availability of products, consumer groups etc.

Marketers must measure consumer problems to respond to problem recognition generated by external factors. Surveys and focus groups using activity, product and problem analysis are used to measure problem recognition.

After recognition of a problem, consumer is involved in internal and external information search. Information may be sought on the appropriate evaluative criteria, the existence of various alternatives and the performance of each alternative on each criteria.

Consumer has a set of alternative solutions. The set of alternatives that the consumer considers is called evoked set. Marketers make efforts so that their brands fall within the evoked set of their target market.

Consumer internal information is usually based on previous searches, personal experience and low involvement learning. Consumers also seek information from external sources. They are personal, independent, marketing and experiential sources.

Marketers expect that a consumer should search for information before making a purchase. But information search is not free. It takes time, energy, money, efforts, etc. So, consumer is engaged in external search only to the extent that the expected benefits outweigh expected costs.

For developing sound information strategies, the level of search and brand's position in or out of the evoked set are of two dimensions. Based on these dimensions six strategies are suggested. They are maintenance, disrupt, capture, intercept, preference and acceptance strategy.

Evaluative criteria are the various features or benefits a consumer looks for in response to a particular problem. The number, type and importance of evaluative criteria used differ from consumer to consumer and across product categories.

The measurement of evaluative criteria used by consumers, the consumer's perception about the various alternatives and relative importance of each criterion are critical steps in utilizing evaluative criteria to develop marketing strategy. A number of techniques ranging from direct questioning to projective techniques and multi dimensional techniques are available for measurement.

## Summary

The relative influence of these sources depends on the buyer's characteristics, the product features and image, and product price. In general, the more popular products provide more effective information, like Colgate, the Pizza Hut, Hero Honda, and the like. The commercial source provides the most information, as the case should be. But in the modern world or aggressive advertising, customers prefer personal sources, since they get highly confused from the excess advertising.

For some customers the preliminary information comes from commercial sources and the reinforcement or confirmation occurs from personal sources. Marketing originated messages are one of the five primary information sources and they are found to be limited direct value in consumer decisions. Marketing activities influence all the five sources.

Characteristics and distribution of the product and the promotional messages about the product provide the basic information available in the market. Personal sources such as friends, relatives, etc. must base their information on experience with the product or promotion. Substantial marketing activity is designed to influence the information that consumers receive from non-marketing sources.

### Self Assessment Questions

1. Understand information search process.
2. Examine alternative evaluation process

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[www.FirstRanker.com](http://www.FirstRanker.com)

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### Lesson 4.3 - Brand Choice and Post Purchase Dissonance

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#### Learning Objectives

- Know the nature of brand choice.
- Understand the concept of purchase dissonance

#### Introduction

A brand first decision sequence would suggest brand image and feature advertising. For example, Yellow Pages listings by brand, and possibly a limited distribution strategy. An outlet-first choice would tend to produce a focus on point-of-purchase materials, distribution through key outlets, programs to encourage good shelf space and support from the store personnel.

Firms may provide finance for retailers to produce product specific ads in order to trigger a desire for the brand and to direct consumers to retailers that carry the brand. Retailers often share in the cost of such ads. In other cases, firms use retailers' names in the advertisements as an inducement for the retailer to carry or display the brand.

Post purchase behaviour is the experience of satisfaction or dissatisfaction after the purchase. This depends on the service provided by both the product and the company. This satisfaction makes the customer come again, repeatedly, and inform friends on the excellent purchase he / she has made.

Retailers must follow up on purchases and customers. Keeping track of important purchases and customers can pay. A satisfied customer may continue to prefer the product or brand. But the customer must not be allowed to forget the store or shop. Similarly the dissatisfied customer must be compensated. The compensation could take the form of a replacement of the dysfunctional product, or immediate repairs, or a monetary compensation.

Buyers can throw off some products if they find it of little use. In today's world, which is environmentally alert, the thrown product can create problems beyond a rejected project. It is in the interest of retailers to know of the use and disposal of their products.

In store, marketing strategies are particularly important for product categories characterized by very high rates of in-store purchase decisions. For example grooming supplies (88 per cent in store decisions) and snacks/foods represent major opportunities. In contrast, soft drinks, baby foods etc. represent less opportunity for in store marketing strategies.

Retailers must not only attract consumers to their outlets, they should structure the purchasing environment in such a manner that provides maximum encouragement for unplanned purchases.

Outlet selection is a vital task of managers of retail firms as well as marketers of consumer goods. There are three basic sequences a consumer can follow when making a purchase decision (1) brand first, outlet second; (2) outlet first, brand second; or (3) brand and outlet simultaneously.

For many individuals, product categories and stores rather than brand from the evoked set. The appropriate marketing strategies for both retailers and manufactures differ depending on the decision sequence generally used by the target market.

### **Attributes Affecting Retail Outlet Selection**

The selection of a specific retailer outlet, whether before or after a brand decision, involves a comparison of the alternative outlets on the consumer's evaluate criteria. As a result of this process, stores are categorized as either acceptable or unacceptable and, hence will be patronized on that basis. If the resulting shopping experience is favorable, the consumer is reinforced in his/her learning experience and the matter of store choice will become largely routinized over a period of time. Several important factors influence consumer store choice behavior. Depending on variables such as the type of the product purchased, the type of the store (such as discount, department, or other) and the type of the consumer, the influence of these factors differ. The evaluative criteria commonly used by consumers to select retail outlets are discussed below:

**Outlet image:** A given consumer's or target market's perception of all the attributes associated with a retail outlet is generally referred to as the **store image**.

Marketers make extensive use of image data in formulating retail strategies. First, marketers control many of the elements that determine an outlet's image. Second, different groups of consumers desire different things from various types of retail outlets. Thus, a well managed image that matches the target market's desires is essential for most retailers.

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graph TD; H[Household / buyer characteristics:  
• Location  
• Demographics  
• Role  
• Lifestyles  
• Personality  
• Economic] --> I[Importance of store attributes]; H --> P[Perception of store attributes]; H --> G[General opinions and activities concerning shopping/search]; R[Retail Strategies] --> I; R --> P; I --> P; I --> A[Attitude toward stores]; P --> A; P --> G; P --> S[Strategies for planning and budgeting]; A --> SC[Store choice]; SC --> IIP[In-store information processing]; IIP --> PBP[Product and brand purchase]; S --> PBP; G --> S; G --> IIP
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The flowchart illustrates the process of store choice and purchase decision. It begins with 'Household / buyer characteristics' (Location, Demographics, Role, Lifestyles, Personality, Economic) and 'Retail Strategies', both of which influence 'Importance of store attributes' and 'Perception of store attributes'. 'Importance of store attributes' also influences 'Perception of store attributes' and 'Attitude toward stores'. 'Perception of store attributes' influences 'Attitude toward stores', 'General opinions and activities concerning shopping/search', and 'Strategies for planning and budgeting'. 'Attitude toward stores' leads to 'Store choice', which leads to 'In-store information processing', which leads to 'Product and brand purchase'. 'Strategies for planning and budgeting' also leads to 'Product and brand purchase'. 'General opinions and activities concerning shopping/search' influences 'Strategies for planning and budgeting' and 'In-store information processing'.

(Source: Kent B. Monroe and Joseph P. Guiltinan, "A Path – Analytic Exploration of Retail Patronage Influences," *Journal of Consumer Research*, June 1975)

Thus, retailers should be concerned not only with their own image but also with the image of their shopping area. The ability to aggressively portray a consistent, integrated image is a significant advantage for shopping malls.

## Dimensions and Components of Store Image

Dimension	Component(S)
Merchandize	Quality, selection, style, and price
Service	Layaway plan, sales personnel, easy return, credit, and delivery
Clientele	Customers
Physical facilities	Cleanliness, store layout, shopping ease, and attractiveness
Convenience	Location and parking
Promotion	Advertising
Store atmosphere	Congeniality, fun, excitement, comfort
Institutional	Store reputation
Post-transaction	satisfaction

(Source: Del I Hawkins, Roger J. Best and Kenneth A. Coney, "Consumer Behaviour – Building Marketing Stratgy," 7<sup>th</sup> Ed., McGraw Hill, 1998)

## Post Purchase Dissonance

Discomfort or dissonance occurs when a consumer holds conflicting thoughts about a belief or an attitude toward an object. When cognitive dissonance occurs after a purchase it is called post purchase dissonance.

Post purchase dissonance occurs because each of the alternatives considered by the consumer usually has both advantages and limitations. Post purchase typically increases as (1) the money value of the computer purchase increases, (2) the degree of similarity between items selected and items rejected increases, and (3) the relative importance of the decision increases.

Post purchase dissonance is basically an after purchase cognitive behavior. While evaluating the benefits after a purchase it is common for customers to be concerned about their purchase decision. It is caused by cognitive dissonance. Here the customer thinks that if he had purchased some other item it would have been better than the one he bought. Simply he is not completely satisfied with the purchase and is most likely to switch brands.

Cognitive consistency means people want harmony in feeling behavior and thoughts when there is lack of harmony or conflict then there is dissonance. Dissonance occurs when there is conflict between two cognitive factors in the case of post purchase Dissonance the conflict usually comes about as a result of conflict between expected performance and



actual performance. If expected performance is greater than actual performance then there is post purchase dissonance. Usually higher when picking between two goods or when goods in question are high involvement purchases.

Post-purchase behavior involves all the consumers' activities and the experiences that follow the purchase. Usually, after making a purchase, consumers experience post-purchase dissonance. In other words, they regret their purchase decision. The reasons for high post-purchase dissonance can be attractiveness and performance of forgone alternatives, difficult purchase decision, large number of alternatives, etc.

A high level of post-purchase dissonance is negatively related to the level of satisfaction the consumer draws out of product usage. While experiencing post-purchase dissonance, consumers become acutely aware of the marketers' communication. To reduce post-purchase dissonance, consumers may sometimes even return or exchange the product.

Marketers, therefore, can use these opportunities to reduce consumers' risk perception by way of good return/exchange policies and reduce their post-purchase dissonance by messages targeted at this segment of their consumers. Consumers' retail store selection behavior depends on - store image Despite post-purchase dissonance, many consumers proceed with consumption of the product. How consumers use the products is an important knowledge source for marketers, as they can offer better products and reach more consumers based on these consumer usage patterns. In some cases, however, consumers initially use the product but after a period of time fail to do so. Marketers, therefore, should not consider a product purchased as a product consumed. A non-used product is also more likely to affect the repurchase pattern of the consumers negatively. Consumers need to dispose off the products or packaging before, during, or after the use. The issue of disposal is gaining considerable importance for marketers as it directly affects the repurchase pattern of the consumers.

As more and more products are consumed and disposed off, it is likely that repurchase will also be more. Many a time, consumers cannot repurchase without disposing off the product first, due to space and financial constraints. Thus, many marketers, especially retailers, are helping consumers to dispose off their old products. This not only gives consumers a reason to repurchase but also increases marketers' sales. The disposal options the consumers have are - keep the product, temporarily dispose off, or permanently dispose off.

Product use/consumption is followed by its evaluation, which may then lead to satisfaction (perceived performance > minimum desired expectations); non-satisfaction

(perceived performance = minimum desired expectations); or dissatisfaction (perceived performance < minimum desired expectations). Consumer dissatisfaction may result in complaint behavior. Consumers may choose to take action against the marketer/service provider by way of warning friends, returning the product, boycotting and brand switching, complaining to the marketer, complaining to the relevant government/non-government bodies, and/or taking legal action against marketers/service provider.

Marketers should try to use consumer complaints as a way of assessing their performance as perceived by their consumers and should use this opportunity to delight them by showing their commitment to consumer service.

Many marketers are actively seeking consumer feedback to improve their products and service quality with a view to retaining their existing consumers and attracting new ones. They have identified consumer retention as a major concern, as research has shown that even satisfied consumers can't be termed as loyalists and often switch to competing brands to get a better deal.

Marketers thus, have identified the quality of product and service as the parameter to evaluate consumers' intention to repurchase instead of their level of satisfaction.

Only totally satisfied and committed consumers are recognized as brand loyalists. Brand loyal consumers not only spread positive word-of-mouth for the brand but are also less likely to switch to other brands. Marketers are increasingly indulging in loyalty marketing to increase consumer retention, with various schemes and discount offers for their high value regular consumers.

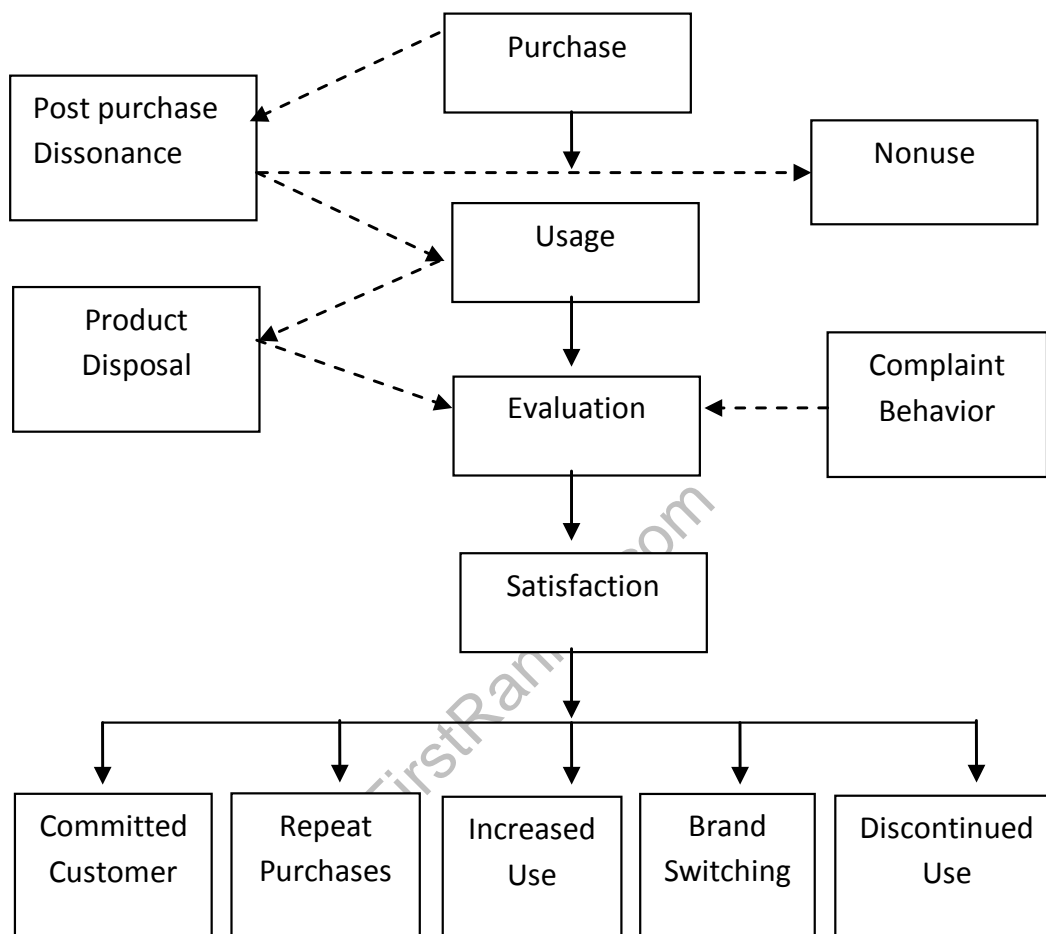
However, many observers believe that these kinds of tactics, if not implemented properly, can fail to deliver what they initially promised, resulting in frustrated consumers. Others also believe that marketers should classify their consumers on the basis of their satisfaction thresholds and then treat each group differently.

Post purchase dissonance (or Buyer's Remorse) has been known to marketers and psychologists for years. The anxiety may be rooted in various factors, such as: the person's concern they purchased the wrong product, purchased for a bad price, purchased instead of waiting for a newer model, purchased in an ethically unsound way, purchased on credit, or purchased something that would not be acceptable to others.

Buyer's remorse can also be caused **or increased** by worrying that other people may later question the purchase or claim to know better alternatives. The digital marketplace

was supposed to solve Buyer's Remorse by making all options, all prices and all suppliers available to me at once time so I can choose the very best deal available. However, it is a double edged sword.

We all have the mate who subscribes of every 'deal' email on the planet and knows every exclusive online shopping site known to man. No matter what you buy, when or how, he will know of a better or cheaper or cooler version you just missed out on. The massive growth of group purchasing sites like Group on has made the challenge even greater.



### Postpurchase Consumer Behaviour

(Source: Del I. Hawkins, Roger J. Best and Kenneth A. Coney, "Consumer Behaviour: Building Marketing Strategy" 7<sup>th</sup> Ed. Mc Graw Hill)

### Post Purchase Evaluation

After a customer buys a product or a service, he is likely to evaluate the purchase decision. He may rethink his decisions in the post purchase stage, as he is uncertain about the wisdom of his decision.

This stage serves several functions:

- It broadens the consumer's set of experiences stored in memory.
- It provides a check in selection of products, stores, etc.
- The feedback from this stage helps to make adjustments in future purchasing strategies.

### **Consumer Satisfaction/Dissatisfaction**

A consumer is satisfied when he is sufficiently rewarded in a buying situation for the sacrifice he has made. This happens when his past purchase and consumption experience matches the expected reward from the brand.

### **Dissonance Reduction**

#### ***Consumer can Reduce Dissonance in Several Ways***

**Changing Product Evaluation:** Dissonance can sometimes be reduced dissonance by a reevaluation of product alternatives. It can be accomplished by giving more importance to the attributes of product selected and decreasing the importance of attribution of the product unselected. In other words, consumers seek to polarize alternatives in order to reduce their dissonance.

Another way of reducing dissonance is, treating all product alternatives as being more alike than was thought at purchase stage. It is done to prove that cognitive overlap exists when a consumer views the alternatives as essentially the same, it makes little difference which one is ultimately chosen; hence, a little dissonance over a purchase decision. Selective retention also allows consumers to forget about the positive features of the unselected brand and the negative features of the chosen brand and conversely, to focus on the negative features of the unselected brand and the positive features of the chosen brand.

**Seeking Additional Information:** Consumers can sometimes reduce dissonance by seeking additional information to confirm the wisdom of their choice. According to the dissonance theory, individuals experiencing dissonance usually avoid information that would increase their dissonance and seek information that supports their decision. Consumers sometimes seek consonant information to support their choice, sometimes, discrepant information to refute it and they look merely for useful information. It depends on amount of information gathered before a purchase decision. However, if a consumer has gathered sufficient information to support his purchase decision and if he thinks that

he has made a wise decision, he will not shy away from information that raises doubts about his decision.

**Changing Attitudes:** sometimes a consumer changes his attitude to a particular product to reduce post purchase dissonance. When a marketer secures new-product trial among target customers who initially, have negative attitude toward the product, this situation may produce dissonance. In other words, unfavorable attitudes toward the product are inconsistent with the behavior of product trial. Motivation to achieve consonance will take the form of attitude change, as it is easier than renouncing the purchase and returning the product.

### Summary

Post-purchase behavior involves all the consumers' activities and the experiences that follow the purchase. Usually, after making a purchase, consumers experience post-purchase dissonance. In other words, they regret their purchase decision. The reasons for high post-purchase dissonance can be attractiveness and performance of forgone alternatives, difficult purchase decision, large number of alternatives, etc. Marketers, therefore, can use these opportunities to reduce consumers' risk perception by way of good return/exchange policies and reduce their post-purchase dissonance by messages targeted at this segment of their consumers. Consumers' retail store selection behavior depends on - store image Despite post-purchase dissonance, many consumers proceed with consumption of the product. How consumers use the products is an important knowledge source for marketers, as they can offer better products and reach more consumers based on these consumer usage patterns.

### Self Assessment Questions

1. Discuss the nature of brand choice.
2. What is the concept of purchase dissonance?
3. How to reduce consumer dissonance?

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## Lesson 4.4 - Brand Loyalty

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### Learning Objectives

- Understand the nature and significance of brand loyalty.
- Know the procedure of how to measure brand loyalty
- Examine the factors influencing brand loyalty?

### Introduction

For many years, product and service marketers felt customers were there with them for life, and started taking brand loyalty for granted. However, there has been a transformation in the Indian market and consumers are now loyal to 'perceived value' and not necessarily to brands.

Today's market is characterized by cut-throat competition. Every manufacturer wants to capture the major share of the market. This is possible through brand image in the market. Brand name helps in creating favorable disposition towards the products of a particular manufacturer in terms of quality and performance. The impact of the massive changes now underway affects brands and those who manage them in a variety of different ways. Brands can make or mar the businesses.

Brands are emerging as a vital competitive weapon in almost all industries and businesses. If companies are to thrive in the future, they need to make use of every competitive weapon at their disposal.

Switching over to another brand means change. People generally resist change because change means uncertainty. Even if people are fully aware of the rewards resulting from change, they are usually not happy going through it.

Familiarity brings in comfort, ease and, most importantly, the feeling of understanding and being understood. The brand becomes a part of the customer's routine and his life. This dynamic of 'familiarity' translates into consumers' preference for brands. They become habituated to the benefits of the brand and are averse to switching over to some other brands. The strongest example of this is your morning newspaper.

It is said that it costs ten times more to acquire a new customer than retain an existing one. Although it is important to win new customers, companies need to ensure that existing customers do not feel short-changed in the process. A customer will desert you if you let her down.

Complacency is the biggest enemy of a brand. Loyal consumers are likely to spend more on the brand and are also likely to spread positive word-of-mouth to other consumers, thus becoming advocates of the brand. Brand loyalty begins at the company's doorstep. However, it's noticed that when it comes to earning employee loyalty, and even customer loyalty, many companies suffer from a lack of trust. The loyalty factor transcends human resource practices, compensation and benefits.

Employee loyalty drives customer loyalty, which in turn drives the brand loyalty. Employees are the people who sell the brand. To build a loyal customer base, the brand has to first represent the ethos of the company. The brand should come across as a genuine, unpretentious and an honest promise. In our country, we find that any Tata product or service gains ready acceptance in the market. Brands have a life of their own, and their pedigree counts.

Promise and deliver more than what you promised – is the key to build brand loyalty. Exceeding consumer expectations is the key to customer satisfaction. Also, the brand has to have a distinct identity and send out a clear, strong message that not only distinguishes itself from competitors but also does it in a memorable and positive manner. Apart from the identity, a brand needs to have a personality, with the attributes of a living person.

Although loyalty programmes appear as an excellent method of retaining the customer base, such programmes need to be implemented judiciously. A brand with a strong product differentiation may not need a mundane loyalty programme simply because the competition happens to have one. In fact, it has the competitive advantage of developing a segment of consumers who values the product for its innate value, rather than an also-ran loyalty programme.

A brand name is a means of identification of the product as well as means of differentiation of the branded product from its competitors. Branding is the best way to capture and retain the consumer demand in a competitive market. The marketer can create brand equity, brand loyalty and brand image for his products only through branding. A well-promoted brand name which has a lot of goodwill and reputation in the market is very difficult to compete with.



Consumers pay a premium for a brand not because of its quality but because it stands for a certain way of life. Brands are often the most valuable assets for companies. Yet they can lose their value overnight if not managed carefully.

Manufacturers have every incentive to maintain quality. Trust continues to be the core attribute of any brand. The owners of brands have to work hard to retain that trust.

### **Evolution of a Brand**

Since time immemorial, branding was there in some form or other. It was initially in the form of pictures and symbols. As illiteracy was high, traders relied mostly on symbols to tell about their products quality.

Branding was used as a guarantee of the source of the products. Subsequently, it was used for legal protection against copying and imitation. In the past even the livestock used to be branded with a red-hot iron as a proof of ownership.

A brand provided a guarantee of reliability and quality. Manufacturers had every incentive to maintain quality. A cake supplier, for example, ensured that each cake was as good as the previous one, because only then would people come back for more.

Trust continues to be the core attribute of any brand. The owners of brands have to work hard to retain that trust. If they make any moves that undermine this trust or seem to do so, they will face severe resistance from customers.

A brand is not a product. It is the product's source, its meaning and its direction and it defines its identity in time and space. Brands identify guarantee, structure and stabilizes supply. Brands draw their value from their capacity to reduce risk and uncertainty.

### **Types of Brands**

Brands can be divided into different basic types:

<i>Type of Brand</i>	<i>Example</i>
1. Consumer goods brands	: Liril, Close-Up, Gillette
2. Industrial brands	: Saint-Gobin glass, SKF bearings, Exide battery
3. Service brands	: LIC, Andhra Bank, Apollo Hospital
4. Corporate brands	: BPL, Godrej, Tata.

## Brand Loyalty

Brand loyalty is the consumer's conscious or un-conscious decision, expressed through intention or behaviour, to repurchase a brand continuously. It occurs because the consumer perceives that the brand offers the right product features, image, or level of quality at the right price.

Brand loyalty can be equated to customer satisfaction. If the customer is satisfied with the brand, she will think twice before trying out any other product. In a way, it's like a relationship. While there are occasional itches in any relationship, generally the partner will desist from doing anything silly. 'Loyalty' is a zealous and passionate term.

Brand loyalty consists of a consumer's commitment to repurchase or otherwise continue using the brand and can be demonstrated by repeated buying of a product or service, or other positive behaviors such as word of mouth advocacy.

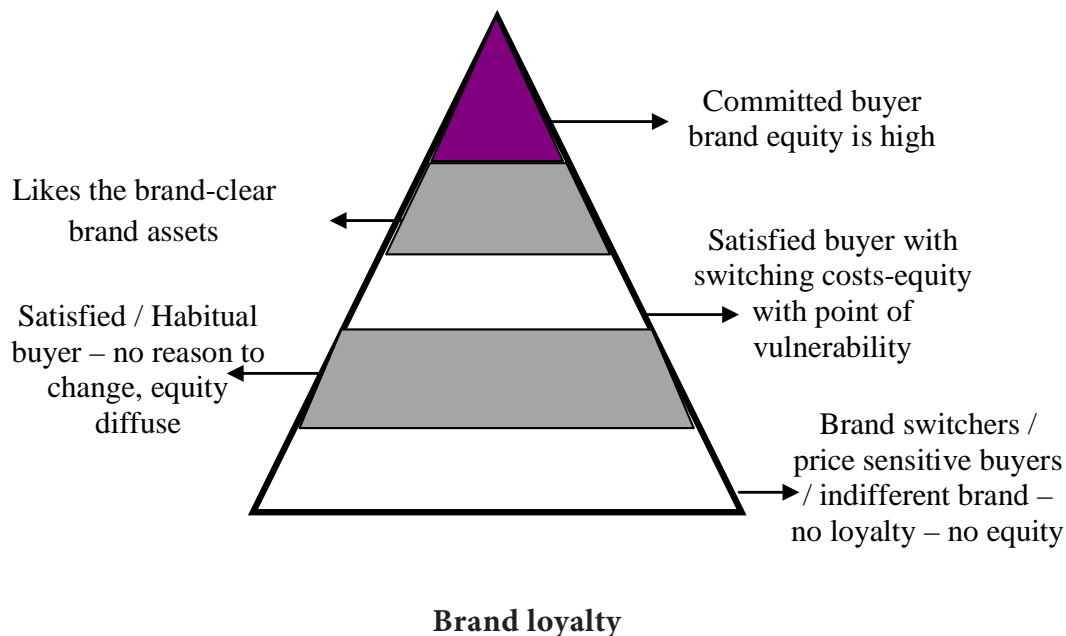
Brand loyalty is more than simple repurchasing; however, customers may repurchase a brand due to situational constraints, a lack of viable alternatives, or out of convenience. Such loyalty is referred to as "spurious loyalty". True brand loyalty exists when customers have a high relative attitude toward the brand which is then exhibited through repurchase behavior. This type of loyalty can be a great asset to the firm: customers are willing to pay higher prices, they may cost less to serve, and can bring new customers to the firm.

The starting point for understanding brand equity is the extent to which a brand enjoys customer loyalty. It is important to discriminate between habitual buying and brand loyalty. For example, a house wife who repeatedly buys brand X of detergent powder may not necessarily be loyal to it.

She might be buying either because competitor brands are not available, or she does not find parity between brand X and competition, or she may be buying just out of habit. Many a time such repeat purchases are mistaken for brand loyalty<sup>9</sup>. The real issue in brand loyalty is whether the customer is a committed one and the real test is if he or she will walk that extra mile to get it.

In other words, will the customer go to another shop and ask for it or will he or she leave with the substitute being offered by the shopkeeper or vendor? If the customer is indifferent to the brand and buys for features, price, or convenience, there is little equity in the brand. In today's market where no brand can distinctively claim differentiation on features (as well use, by and large, the same technology and inputs) and invariably all brands

are available in all markets – even in the remotest areas – price becomes the deciding factor. And that's where price wars begin. It is important for the firm to assess its committed customer base. Customers can be grouped under five categories, depending on their attitude towards the brand. These categories are illustrated in the following figure.

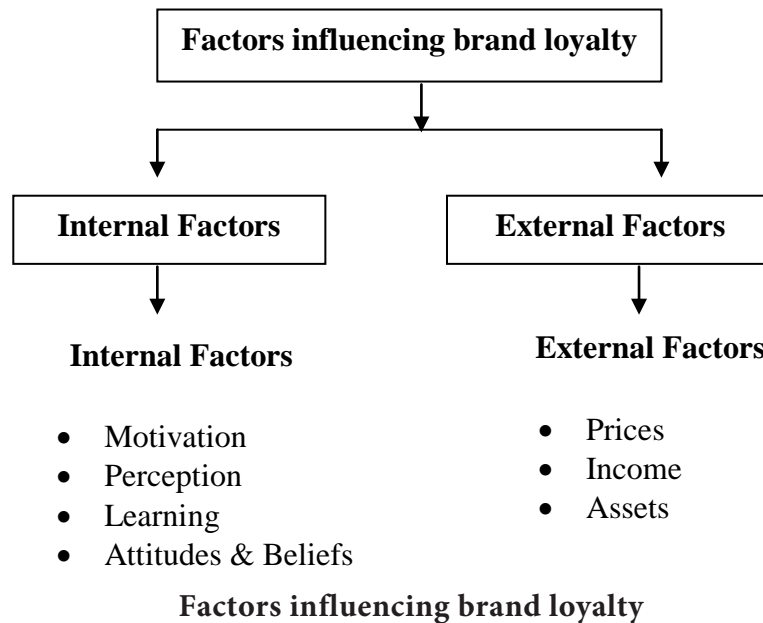


About 20 percent were in the third segment of the loyalty pyramid. It was no wonder that the company's brand had lost market share to a large number of smaller firms. In fact, this product group hardly had any distinctive brand other than that of this firm. This was the reason for the firm's brand being caught in a price war, where smaller firms scored over it.

### Factors Influencing Brand Loyalty

Loyalty includes some degree of pre-dispositional commitment toward a brand. Brand loyalty is viewed as a multidimensional construct. It is determined by several distinct psychological processes and it entails multivariate measurements. Customers' perceived value, brand trust, customers' satisfaction, repeat purchase behaviour, and commitment are found to be the key influencing factors of brand loyalty.

Commitment and repeated purchase behaviour are considered as necessary conditions for brand loyalty followed by perceived value, satisfaction, and brand trust. Fred Reichheld, one of the most influential writers on brand loyalty, claimed that enhancing customer loyalty could have dramatic effects on profitability. Among the benefits from brand loyalty — specifically, longer tenure or staying as a customer for longer — was said to be lower sensitivity to price. This claim had not been empirically tested until recently.



### Internal Factors

1. **Motivation:** It is the driving force by which humans achieve their goals. Motivation is said to be intrinsic or extrinsic. The term is generally used for humans but it can also be used to describe the causes for animal behavior as well. This article refers to human motivation. According to various theories, motivation may be rooted in a basic need to minimize physical pain and maximize pleasure, or it may include specific needs such as eating and resting, or a desired object, goal, state of being, ideal, or it may be attributed to less-apparent reasons such as altruism, selfishness, morality, or avoiding morality. Conceptually, motivation should not be confused with either volition or optimism. Motivation is related to, but distinct from, emotion.
2. **Perception:** Perception (from the Latin *perceptio*, *percipio*) is the process of attaining awareness or understanding of the environment by organizing and interpreting sensory information. All perception involves signals in the nervous system, which in turn result from physical stimulation of the sense organs. For example, vision involves light striking the retinas of the eyes, smell is mediated by odor molecules and hearing involves pressure waves. Perception is not the passive receipt of these signals, but can be shaped by learning, memory and expectation. Perception involves these “top-down” effects as well as the “bottom-up” process of processing sensory input. Perception depends on complex functions of the nervous system, but subjectively seems mostly effortless because this processing happens outside conscious awareness.
3. **Learning:** Learning is acquiring new or modifying existing knowledge, behaviors, skills, values, or preferences and may involve synthesizing different types of information. The ability to learn is possessed by humans, animals and some machines.

Human learning may occur as part of education, personal development, school or training. It may be goal-oriented and may be aided by motivation. The study of how learning occurs is part of neuropsychology, educational psychology, learning theory, and pedagogy.

Learning may occur as a result of habituation or classical conditioning, seen in many animal species, or as a result of more complex activities such as play, seen only in relatively intelligent animals. Learning may occur consciously or without conscious awareness. There is evidence for human behavioral learning parentally, in which habituation has been observed as early as 32 weeks into gestation, indicating that the central nervous system is sufficiently developed and primed for learning and memory to occur very early on in development.

Play has been approached by several theorists as the first form of learning. Children play, experiment with the world, learn the rules, and learn to interact. Vygotsky agrees that play is pivotal for children's development, since they make meaning of their environment through play.

4. **Attitudes and beliefs:** An **attitude** is a hypothetical construct that represents an individual's degree of like or dislike for something. Attitudes are generally positive or negative views of a person, place, thing, or event— this is often referred to as the attitude object. People can also be conflicted or ambivalent toward an object, meaning that they simultaneously possess both positive and negative attitudes toward the item in question. **Belief** is the psychological state in which an individual holds a proposition or premise to be true.

### External Factors

All those factors outside the consumer constitute external factors influencing brand loyalty i.e. external factors refer to all those factors outside consumer's skin. They are price of the product/service, income earned by the individual, assets possessed by the individual etc. For instance, the income of consumers will, directly, have an influence on consumer behavior in general and brand possession in particular as it decides the purchasing power of the consumers.

A consumer's economic position greatly affects his product choice. Economic circumstances of the consumer consist of their disposable income, assets borrowing power, and attitude towards spending versus saving and price. Income available for spending is the amount available for personal consumption expenditures and assets. Disposable personal

income represents the amount of income that a consumer possesses to be used for spending or saving after having paid the taxes, debt installments etc. The changes in disposable personal income are relevant to consumer buying decisions.

The consumer is not only influenced by his current income, but also by the future income. The expectations of future income will determine the level of future expenditure. If expectations of future income are strong, there will be a tendency to spend more and save less, whereas if expectations are weak, then there will be a tendency to spend less and save more in the present. Since, most of the consumers are not having sufficient disposable income; they are not in a position to fulfil all their wants. Consequently, they give priority to certain wants and satisfy them by purchasing the suitable products.

Thus the consumer's loyalty towards the brand will be influenced by the economic circumstances i.e. external factors of the consumers.

### Loyalty Phases

Consumers are theorized to become loyal in a cognitive sense first, then later in an affective sense, later in co-native manner and finally in a behavioral manner, which is described as 'action inertia'.

- **Cognitive loyalty:** Cognitive loyalty refers to the existence of beliefs that (typically) a brand is preferable to others. Cognition can be based on prior or vicarious knowledge or on recent experience-based information. This consumer state, however, is of a shallow nature.
- **Affective loyalty** reflects a favorable attitude or liking based on satisfied usage. Commitment at this phase is referred to as affective loyalty and is encoded in the consumer's mind as cognition and affect. Whereas cognition is directly subject to counter-argumentation, affect is not as easily dislodged.
- **Conative loyalty** constitutes the development of behavioral intentions characterized by a deeper level of commitment (Thorsten, Kevin and G. Dwayne, 2002; Janda, Trocchia, Gwinner, 2002; Zeithaml, Berry and Parasuraman, 1996). Conation, by definition, implies a brand-specific commitment to repurchase. Conative loyalty, then, is a loyalty state that contains what, at first, appears to be the deeply held commitment to buy noted in the loyalty definition. However, this is a commitment to the intention to rebuy the brand and is more akin to motivation. In effect, the consumer desires to repurchase, but similar to any "good intention", this desire may be an anticipated but unrealized action<sup>15</sup>.

- **Action loyalty** phase, the motivated intention in the previous loyalty state is transformed into readiness to act accompanied by a willingness to overcome impediments to such action. The action control paradigm proposes that this is accompanied by an additional desire to overcome obstacles that might prevent the act. If this engagement is repeated, action inertia develops, thereby facilitating repurchase. Ultimate loyalty is attended in the last step.

### Challenges to Loyalty

- **Consumer idiosyncrasies:** some aspects of consumer consumption are antithetical to loyalty. For example, variety seeking frequently has been cited as a trait that will not permit loyalty to develop until there is no variety. This will be particularly true at the cognitive and even at co-native level. Until the variety seeking consumer reaches action inertia, the lure of new experience will be too tempting to ignore. Many product and service provider fall into this pattern and find that even their regular clientele will try new and different alternatives.

Other reasons for apparent consumer disloyalty include multi brand loyalty, withdrawal from the product category and changes in need.

- **Switching incentives:** Competitors can (and do) take advantage of irrational behaviour of consumers, engaging them through persuasive messages and incentives with the purpose of attempting to lure them away from their preferred offering.

### Measurement of Brand Loyalty

Brand loyalty measurement is not an easy task, particularly because it is a measurement of something intangible. To measure it properly involves gauging brand awareness, recognition, knowledge, and recall. Consumers are exposed to hundreds of brands each day, yet not all of them register in the consumer's mind. To test how well your brand is penetrating, ask yourself the following questions.

How different is your brand? To build brand loyalty, you must offer a set of differentiating promises to your customers and deliver them in order to build value to a brand. Without building value, the brand will perish.

Is your brand relevant? Does it matter to your customers, and do they have a personal relationship with your brand? A high opinion is also important. If your brand is popular and people think of it as a high-quality brand, they have a high opinion of your brand and



are more likely to value it. These opinions can be tracked via brand loyalty measurement surveys.

- **Brand awareness:** It is a marketing concept that measures consumers' knowledge of a brand's existence. Brand awareness means the extent to which a brand associated with a particular product is documented by potential and existing customers either positively or negatively. Creation of brand awareness is the primary goal of advertising at the beginning of any product's life cycle in target markets. In fact, brand awareness has influence on buying behavior of a buyer.
- **Brand attributes and associations:** Brand Attributes portray a company's brand characteristics. They signify the basic nature of brand. Brand attributes are a bundle of features that highlight the physical and personality aspects of the brand. Attributes are developed through images, actions, or presumptions. Brand attributes help in creating brand identity.

Brand associations are spontaneous signals which help the marketer to associate their brands with the psyche of consumers. Brand association is anything which is deep seated in customer's mind about the brand. Brand should be associated with something positive so that the customers relate your brand to being positive. Brand associations are the attributes of brand which come into consumers mind when the brand is talked about. It is related with the implicit and explicit meanings which a consumer relates/associates with a specific brand name. Brand association can also be defined as the degree to which a specific product/service is recognized within it's product/service class/category.

While choosing a brand name, it is essential that the name chosen should reinforce an important attribute or benefit association that forms it's product positioning.

- **Perceived quality:** Consumer's opinion of a product's (or a brand's) ability to fulfill his or her expectations. It may have little or nothing to do with the actual excellence of the product, and is based on the firm's (or brand's) current public image (see corporate image), consumer's experience with the firm's other products, and the influence of the opinion leaders, consumer's peer group, and others. It can be defined as the customer's perception of the overall quality or superiority of a product or service with respect to its intended purpose, relative to alternatives. Perceived quality is, first, a perception by customers. It thus differs from several related concepts, such as:
- Actual or objective quality: the extent to which the product or service delivers superior service.

- Product-based quality: the nature and quantity of ingredients, features, or services included;
- Manufacturing quality: conformance to specification, the “zero-defect” goal

Perceived quality cannot necessarily be objectively determined, in part because it is a perception and also because judgments about what is important to customers are involved. An evaluation of washing machines by a Consumer Report expert may be competent and unbiased, but it must make judgments about the relative importance of features, cleaning action, types of clothes to be washed, and so on that may not match those of all customers. After all, customers differ sharply in their personalities, needs, and preferences.

Perceived quality is an intangible, overall feeling about a brand. However, it usually will be based on underlying dimensions which include characteristics of the products to which the brand is attached such as reliability and performance. To understand perceived quality, the identification and measurement of the underlying dimensions will be useful, but the perceived quality itself is a summary, global construct.

### **Customer Brand Loyalty Measures**

Brand loyalty has been examined at great length by academicians and practitioners alike as one of the most important factor influencing a brand's success or failure in the market place.

From the revaluation of a fledging product (s) to the extension of a mature brand, effective marketing strategies depend on a thorough understanding of the core brand loyalty.

The brand loyalty programs can have a dynamic impact on the success of a brand. Trust, quality, pride of association and identification with the brand's concept and image influence loyalty and what customers buy.

The loyalty tracking program provides an ongoing measures of loyalty of products/ services to guide any business.

### **Measures for Brand Loyalty**

- **Customer loyalty:** Customer loyalty is all about attracting the right customer, getting them to buy, buy often, buy in higher quantities and bring you even more customers. The customer loyalty is one of the most important issues facing businesses today.

Unless companies can retain the loyalty of their customers, they will not be able to ensure repeat business and their long term future will be uncertain. The customer loyalty activities and implications that every business people should review which include:

- Improving long term business performance
- Influencing product development
- Focusing the organization on the customer
- Ensuring repeat purchase
- Increasing customer retention
- Shortening purchase circles
- Enhancing the ownership experience
- Managing customer relationships
- Opening sales channels
- Controlling sales costs
- Contributing to long term planning
- Dealing with competitive activity

Customer loyalty can be defined as the totality of feelings or attitudes that would incline a customer to consider the re-purchase of a particular product, service or brand or re-visit a particular company, shop or website. Customer loyalty has always been critical to business success and profitability.

Customer loyalty is determined by three factors: relationship strength, perceived alternatives and critical episodes.

- **Trust in the brand:** In traditional branding, trust means that the products deliver what they promise. Trust means a loyal customer base and will also lead to word-of-mouth advertising. Successful branding happens as a result of a consistent message being delivered both offline and online media in an effort to build trust and loyalty. The goal is to create awareness and then make the necessary investment to build brand loyalty.
- **Quality of brand relationship:** A strong brand is defined as the best option for the consumer that delivers a sustainable, differentiable, and long term value to the consumer. The consumer resolves to buy the same brand whenever he faces a consumption problem. Whenever a consumer is faced with a problem of choice, out of the brands he / she considers buying, a particular brand should have its presence

felt. The longitudinal relationship of a brand in the choice set of consumers decides the success of a brand. It also values the quality of relationship.

- **Pride of Association:** Brand associations to consumers are spontaneous signals which help the marketer to associate their brands with the psyche of consumers. Consumers may buy a number of brands in a year, but may be loyal to one brand. In such a situation like this, a strong association ensures a higher probability of being the brand ladder which is formed in consumer's mind.
- **Identification with the brand:** Brand identity is the sum total of the brand stands for. Brand identity is the judicious mix of the core features and benefits, value propositions, and significant elements of the brand through which it is presented. When the consumer identifies the core features and benefits, value propositions and significant elements of the brand, he/she feels that brand is the best brand and that he / she cannot imagine living in this world without that brand.

### Classification of Brand Loyalty

Dick and Basu classified brand loyalty into four groups termed as spurious loyalty, circumstantial loyalty, latent loyalty and sustainable loyalty.

1. **Spurious loyalty:** It can be observed when despite consumer perception that the choices available are undifferentiated, behavioural data suggests loyalty. The consumer in such cases shows only temporary display of loyalty as he is open to competing offers and will shift the moment he gets a better deal.

Brand loyalty is more than simple repurchasing, however. Customers may repurchase a brand due to situational constraints, a lack of viable alternatives, or out of convenience. Such loyalty is referred to as "spurious loyalty".

2. **Circumstantial loyalty:** It includes cases where temporary monopoly is achieved due to patents, copyrights and trademarks.
3. **Latent loyalty:** It is displayed when consumers have high regard for a company or brand, but they don't necessarily buy it. This can be due to inconvenient store locations, out-of-stock situations etc.
4. **Sustainable loyalty:** It exists when a customer repeatedly buys only one particular brand or when he recommends it to friends, family, colleagues etc. thus sustainable (true loyalty) loyalty occurs when there is repeat patronage, which is the result of a conscious decision by the consumer.

## **Building Loyalty**

This theoretical framework looks at possible responses to the erosion of brand loyalty, including product innovation and marketing-led responses. Specially, how companies are innovating in new products, product reformulations, packaging and adding benefits around the physical product.

It also explores marketing activity intended to shore up and / or build brand loyalty, from high-level branding strategy through to above and below the line activities, as well as channel strategy.

## **Store Loyalty**

The term 'store loyalty' refers to the consumer's inclination to patronize a given store during a specific period of time. Store loyalty can be very crucial for a company's profits since consumer patronage results in revenue. Loyal customers will tend to concentrate their purchases in the store and, therefore, may represent a very profitable market segment if they can be readily identified.

Several studies have examined the demographic, socio-economic and psychographic characteristics of store-loyal shoppers and found that there are patterns of personal characteristics.

The generally store-loyal consumer tends to be older and have a lower education attainment and a lower family income than the store switchers do. They tend to be time-conscious and radio and television users.

Thus, the store-loyal's profile is one of a relatively conservative, inactive, time-conscious hometown oriented person. Since the financial benefit to the retailer of pursuing the store-loyal consumer are significant, the markets should not only understand the store loyalty characteristics and patterns of customers but also of competitors customers.

## **In-Store Purchasing Behavior**

After selecting the retail outlet based on evaluative criteria, consumers patronize and then move towards the purchase. A number of factors influence consumer behavior within the store environment. The important variables that affect consumers' shopping activities within stores are discussed below:

## Merchandising Techniques

Merchandizing techniques have an important influence on consumer shopping behavior. This is particularly true for low-involvement purchase decisions. Because there is generally little consideration of such purchases until the point of sale, merchandising techniques affecting the consumers in the store are often of great significance in obtaining a purchase. A number of topics are discussed under the umbrella of merchandising techniques. They include store layout displays, product shelving, pricing strategies branding and promotional deals.

**Store layout:** A store's interior is organized in such a way as to accomplish the firm's merchandising strategy. However, retailers sometimes find that their layout and design approach is failing to accomplish objectives.

Since the location of items within a store has an important influence on the purchase decisions, retailers have to lay more emphasis on store layout. They have to understand that the more visibility a product receives, the greater the chances of it being purchased.

**Point-of-purchase displays:** with more than 80 per cent of supermarket shoppers making this final buying decision in the store, point-of-purchase displays by marketers assume an important role. An effective combination of good strategy and attractive display makes shopping experience exciting and also produces more sales. Special displays are used in stores in order to attract shopper attention to one or more products.

Instore merchandising is continually changing as marketers seek to discover new ways of reaching consumers with their promotional messages close to the point-of-purchase. Instore P-O-P displays are not only growing rapidly but are becoming electronic, with the marketers putting messages on everything from shopping carts to store directories and shelves.

**Product shelving:** It has an important influence on consumer behavior. Both the height at which products are displayed and the number of rows presented (facings) can influence sales of products.

**Shelf Height** The most favorable shelf position is generally at eye level, followed in effectiveness by waist level and knee or ankle level. Beyond the physical impossibility of stocking all products at eye level, there are also valid arguments for placing products on lower shelves. The shelf height of an item is determined by its package size, its normal movement, whether or not it is being advertised and its market target.



**Shelf space** it is crucial for a product to be given enough shelf space to attract the buyer's attention. In order to help and ensure this, the science and industry of packaging has mushroomed. Without adequate shelf facings the item will be lost in the mass of other multiple facing lining the average supermarket shelves.

The ratio of relative changes in unit sales to retain change in shelf space is called shelf space elasticity. The goal of marketers is to optimize the ratio. An adequate number of facings are especially important for new products. For instance, fast-moving items tend to react much more dramatically to changes in shelf space than do slow moving products.

**Pricing strategies:** There are a few elements of pricing that can significantly influence consumer's purchasing process. Two of those influencing strategies are given below:

**Price awareness:** Although consumers have a critical attitude toward the general price level and supermarket prices in particular, they apparently have difficulty recalling the actual price paid for a previously purchased product.

Though consumers may not know the exact price of the items they purchase, they often are unwilling to pay full price. Today customers are more interested toward discount sales. Stores with low price image can attract customers more. This image is often accomplished by employing loss-leader strategy. Loss-leader (products that are heavily advertised and sold just above the cost price) attracts more customers into the store and leave an impression of low prices in the mind of shoppers.

**Promotional pricing:** One form of promotional pricing is multiple pricing. It is the technique by which retailers price items in multiple quantities such as 2 for ₹ 24 and 3 for ₹ 49 and so on. The idea behind it to provide customer a lower price on a quantity purchase. In addition to multiple pricing, markets adopt other pricing approaches, such as cut the price of an item. They provide some sort of rebate on the product to stimulate sales. One consideration in such approaches is the effectiveness of the price deal for accomplishing market objectives. For example, it appears that promotional pricing can induce brand switching in favor of the promoted brand.

**Couponing:** In this type of pricing, a coupon is redeemed during purchase and it reduces the product's price. Coupon distribution has had a sharp, continuing growth over the past few years. Coupons have been criticized for several factors: 1) They discriminate against low income and minority consumers and shoppers with high time costs, 2) they slow the checkout process, 3) they force food retailers to stock slow moving products, 4) they impose costs on the food system by generating demand surges and 5) they deform



consumer choices between advertised and private labels. Despite these criticisms, the practice of couponing continues to grow. A consumer's decision to redeem the coupon is based on coupon characteristics, characteristics of the purchase, brand loyalty, the present promotional conditions and past coupon usage behavior. Consumers usually try to strike a balance between their needs for economizing and reducing shopping time and effort.

Coupons usually influence consumers to try new products or improve the position of older products. It is expected that they result in long term loyalty once the trial takes place. However, most coupons have shown results in short term sales gains only. Coupon responsive behavior seems to be manifestation of two psychological constructs: coupon proneness and value consciousness. Coupon proneness is the propensity to respond to a purchase offer because the coupon form of the purchase offer positively affects purchase evaluations. While, value consciousness is a concern for paying low prices, subject to some quality constraints. Coupon usage has been found greater among middle and upper income groups, those who are highly educated and are urban, less brand loyal and less store loyal. Market mavens are particularly heavy coupon users and are active in providing coupons to others.

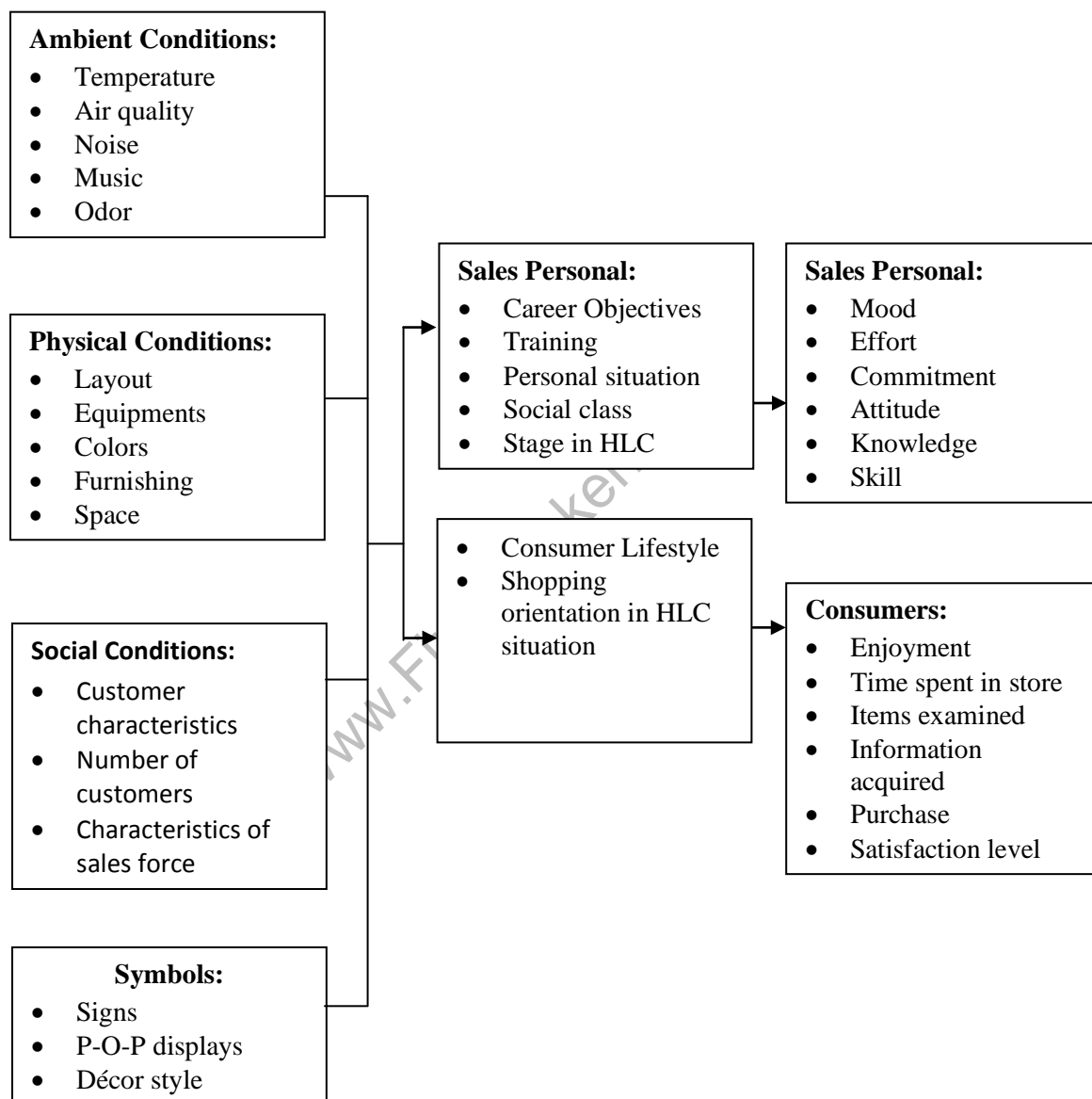
**Packaging:** One of the most important point-of-sale influences is the package, use of graphics, product information provided on the package and physical design of the package. Apart from this, the package can be extremely instrumental in the success of store displays. So, it is the basic ingredient in attracting the shopper's attention while in the store-the marketer's "silent salesman."

**Brand choice:** National Versus Private: There has been a "battle" between manufacturers' national brands and distributors' private brands for brand predominance in some product categories. Owning strong brands allows companies to price them at a premium. But familiar national brands may lose their punch as companies are forced by retailers to divert their budget allocation from advertising their products into expensive trade promotions.

**Position of Private Brands:** The competitive position of private brands differ from industry to industry. Although it has been found that consumers view private and national brands differently, it is not clear what consumer characteristics differentiate between private and national brand users. It can be that the more price conscious the consumer is, the more likely he will buy a store brand.

**Generic Brands** Generic or "no-name" brands are easily distinguishable due to their basic and plain packaging characteristics coupled with the attribute of primary emphasis

on the contents of the package rather on the brand name. Price is an important factor in generics' success. They are usually sold for 30 to 40 percent discount and some are sold for 20 percent less than the supermarket private label prices. Due to this difference in price, generic's gains have come more at the expense of name brands' market share than the private label business. Compared to infrequent and non-purchases, high volume generic buyers are a relatively low burdened group, who rent rather than own their homes and have young child, a relatively low income and restricted time for shopping trips, with a preference for discount stores. Better economic conditions result in a drop in generics' sales. Some retailers have increased the selling power of generics by creating a "brand" identity and they add color to the package. The "brand" is a cut above generics yet at a better price than private and national labels.



### Store Atmosphere and Shopper Behavior

Source: Adapted from M.J.Bitner, "Servicescapes," Journal of Marketing, April, 1992, pp. 57 - 71

## Personal Selling Effects

We have discussed in-store purchasing behavior for items that are sold via self-service. But there are purchase situations in which customers interact with sales people. Personal selling in which a salesperson interacts with a customer is called “dyad.” There is little known from consumer behavior point of view about what factors make this process a success and have assumed homogeneity among prospects. Careful research into market segment characteristics and needs can result in more effective sales management.

## Summary

Brand loyalty can be termed as the customer's decision to repurchase a particular brand of a product continually. Consumer preference to repurchase is the result of his desired perception and satisfactory purchase decision about the specific brand which it offers right product feature, image, quality and price. Brand loyalty is the tendency of the consumers to stick to a particular brand of a product to fulfill his needs. It encourages repeat purchase of the brand and hence is an important factor contributing towards the growth of organization by maximizing its revenue. Brand loyalty is influenced by a lot of factors which can be categorized into internal factors and external factors. Internal factors include motivation, perception, learning, attitudes and beliefs while external factors include price of the product, income of the buyer and assets of the brand. Brand loyalty measurement is not an easy task, particularly because it is a measurement of something intangible. To measure it properly involves gauging brand awareness, recognition, knowledge, and recall. Consumers are exposed to hundreds of brands each day, yet not all of them register in the consumer's mind.

## Self Assessment Questions

1. Explain the nature and significance of brand loyalty.
2. How do you measure brand loyalty?
3. What are the factors influencing brand loyalty?

## CASE STUDY

Reliance Mart has been opened with a lot of publicity and fan fare in Anantapur, the backward district of Rayalaseema region. The other shop-keepers who have been running their shops for the past several years are under threat. They felt that the Reliance would take away their livelihood. Small time traders, fruit and vegetable vendors were feeling insecure

with the advent of Reliance Smart. On the opening day there was heavy rush and stampede in the Reliance Mall which became the eye-sore to the other traders. The local traders were feeling jealous of Reliance. They were nursing a grudge against Reliance as they lost all business and customers.

The customer was very happy as he was able to get best products for lowest price. The shoppers stopped going to the other shops. There was also a lot of price and quality difference between Reliance Mart and other shops. The local traders wanted to take revenge on Reliance as they lost their livelihood. All the shop keepers and small vendors attacked Reliance in the night and looted and vandalized all the goods available in the Mall. Consumers and people in the neighborhood also started looting the TV, Refrigerators and other electronic goods. Even the Police could not control the situation. They set the Reliance Mart on fire. The whole Reliance Mart was burnt to ashes and the glory and splendor of Reliance Mall ended up in flames and ashes. It took two years to Reliance to restart the operations.

### Questions

1. What was wrong with the Reliance entry level strategy?
2. If you are appointed as the Manager of the Retail Mall, what steps you would have taken to prevent the situation?
3. What steps reliance has to take to remove the apprehensions of the small traders?

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## UNIT - V

### Unit Structure

Lesson 5.1 - Market Research

Lesson 5.2 - Retail Market Consumer

Lesson 5.3 - Research Before Setting up a Retail Store

Lesson 5.4 - Research After Setting up a Retail Store

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### Lesson 5.1 - Market Research

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### Learning Objectives

- Know the nature of marketing research.
- Understand the distinction between Marketing Research and Marketing Information System.
- Examine the Role and scope of Marketing Research.

### Introduction

Retail strategy is largely information based. The gathering and analysis of data relevant to the retailer is done by market research. From the retailer's perspective, market research needs to be done prior to the setting up of a retail store and after setting up the retail store. The information needed at both the stages varies significantly. In a world of increasing competition, research can aid the retailer in satisfying the customer and thereby, building loyalty.

### Market Research – A Tool for Understanding Retail Market and Consumers

Retail strategy is largely information based. Timely, relevant information is essential to provide an adequate basis for day-to-day decision making, as well as to chart the organization's path in an increasingly fast faced, turbulent and competitive environment.

The turn of the present century has witnessed unprecedented levels of market velocity and volatility that demands a completely new approach to market and retail intelligence. Retailers today rely more on intelligence than on pure information, and market research plays a key role in providing this intelligence.

Any market research activity deals with the following logical steps:

- Collection of data;
- Analysis of the data collected; and
- Deriving conclusions on the basis of the data collected.

Information is needed in established and mature markets and in emerging markets. The gathering and analysis of data relevant to the retailer is done by market research. Information collected by way of market research can either be:

- a) Primary data – the data that the retailer collects for a specific purpose or
- b) Secondary data – the data that is available in the market or within the organization and winds can be used by the retailer. Internal sources could be sales figures, company reports, customer complains, etc. External sources of information could be government statistics, trade information and research done by commercial research agencies and financial institutions.

From the retailer's perspective, market research needs to be done prior to the setting up of a retail store as well as after the setting up of a retail store.

With the customer of today becoming more demanding, sophisticated, brand and quality conscious, the term 'marketing Research' is gaining a lot of importance. In the past customers generally interacted with the sales and marketing personnel who passed on the customers requirements to the other departments and they in turn took the necessary decision or action.

However, now with all competing firms all set to aggressively woo the emerging new customer, there has been a paradigm shift in thinking on the traditional concept of Marketing Research. The current scenario demands that the firm, develop an information culture which will inject a flow of continuous data and information into the company.

To facilitate effective decision making, the marketer has to work out a combination of direct and indirect interactive research methods and develop a Marketing Information



System, customized to the company's requirement. This has led to the emergence of data base marketing and the development of a decision support system to work as a model and help in solving (or taking decisions) problems in future.

The management decision process has become complex and requires an effective and foolproof management information system. This is especially true for a firm's marketing management because it is located at the interface between a firm and the customers of a firm.

The production, finance and personnel activities are guided at the marketing situations and systems. The changing characters of markets, growing environmental impacts, emergence of consumerism, unknown competitions, and volatility of international political relationships, changing production functions, and growing technology have given rise to the growing difficulties of making efficient marketing decisions.

For sound marketing decisions, the management must be equipped with the latest information of the various variables. Marketing research provides the correct and latest information for arriving at sound marketing decisions. During the years of growing complexities, the management needs more and more rigorous marketing information to reduce the uncertainties involved in introducing new products and penetrating a new market. Marketing research has, today, become an important component of the marketing information system to manage all areas of management in general and to marketing management in particular.

Marketing Research is the systematic gathering, recording and analyzing of data about marketing problems to facilitate decision making. The marketing research is a tool of marketing information system which has become an important function of management. "Marketing research is the systematic design, collection, analysis and reporting of data and findings relevant to a specific marketing situation facing the company. It shows that marketing research is required to solve specific problems, but it is more than that, since now it is considered a significant part of marketing information system which has been a continuous aspect of management.

The American Marketing Association has defined marketing research as the "systematic gathering, recording and analysis of data about problems relating to the marketing of goods and services. It emphasizes on the systematic research rather than convenient research. The data are objectively and accurately gathered, recorded and analyzed.

## Marketing Research and Marketing Information System

Marketing Research (MR) is to be distinguished from a Marketing Information System (MIS). The latter has been defined as: A structured, interacting complex of persons, machines and procedures designed to generate an orderly flow of pertinent information, collected from both intra-and extra-firm sources, for use as the basis for decision-making in specified responsibility areas of marketing management.

The definition indicates the interdependent activities associated with the collection of marketing information, both from internal and external sources. It also shows that such information is collected to facilitate decision-making in different areas of marketing management.

A good marketing information system should determine the information needs of the organization and generate and process such information on a continuing basis. It should also provide for its storage so that it can be used when required.

An active marketing information system has the following main components:

1. Internal Accounting System
2. Marketing Intelligence System
3. Marketing Research System
4. Marketing Management Science System

Marketing research	Marketing Information System
1. Emphasis is on handling external information 2. Concerned with solving problems 3. Operates in a fragmented intermittent fashion – on a project to project basis 4. Tends to focus on past information 5. Not computer-based 6. One source of information input into a marketing information system	1. Handles both internal and external data 2. Concerned with prevailing as well as solving problems 3. Operates continuously – is a system 4. Tends to be future oriented 5. A computer –based process 6. Includes other sub-systems, besides marketing research

### Contrasting Characteristics of Marketing Research and a Marketing Information System

The internal accounting system maintains data pertaining to orders, sales, inventory levels, receivables and payables. It should be able to fulfill the needs of marketing executives, sales representatives, production managers and so on. The marketing intelligence system collects current information on developments in the macro-environment and task environment. Its purpose is to keep executives abreast of the changing environment so that they can plan the marketing strategy to get optimum results.

The studies, which are of an ad hoc nature, are undertaken by qualified researchers within the company or by outside agencies which are well versed in various research techniques. The fourth component of the marketing information system is management science or operations research. It is concerned with building models for better understanding and the prediction and control of marketing processes.

It seems worthwhile to specify some of the contrasting characteristics of marketing research and a marketing information system. These are given in Table

### Scope of Marketing Research

A wide range of research activities are covered by the marketing research. For convenience, the activities can be put into seven categories, viz., (1) Product and Service Research, (2) Market Research, (3) Promotion research, (4) Distribution research, (5) Pricing research, (6) Corporate responsibility research, and (7) miscellaneous research. Most of these research activities are shown in Table.

Type of Research	Research Activities Covered
1. Research on Market	(a) Analyzing market potentials for existing products and estimating demand for new products. (b) Sales forecasting (c) Characteristics of product markets. (d) Analyzing sales potentials. (e) Studying trends in markets
2. Research on Products and Services	(a) Customer acceptance of proposed new products. (b) Comparative studies of competitive products. (c) Determining new uses of present products. (d) Market testing of proposed products. (e) Studying customer dissatisfaction with products. (f) Product-line research (g) Packaging and design research

3. Research on Promotion	(a) Evaluating advertising effectiveness (b) Analyzing advertising and selling practices (c) Selecting advertising media (d) Motivational studies (e) Establishing sales territories. (f) Evaluating present and proposed sales methods (g) Studying competitive pricing. (h) Analyzing salesmen's effectiveness. (f) Establishing sales quotas.
4. Research on Distribution	(a) Location and design of distribution centers (b) Handling and packing of merchandise. (c) Cost analysis of transportation methods. (d) Dealer supply and storage requirements
5. Research on Pricing	(a) Demand elasticities (b) Perceived prices (c) Cost Analysis (d) Margin analysis

### Typical applications of Marketing Research

**Source:** Adapted from Richard D.Crisp, Marketing Research Organization and Operations: Research Study No.35, American Management Association, New York, 1958, pp 39 47.

### Role of Marketing Research

Marketing research plays a vital role of making available the right information at the right time, in the right place and to the right person for use in decision-making. Thus, it facilitates decision-making concerning marketing mix elements, viz., product, price, place, and promotion. All firms have to use marketing information if they have to be successful in their business operations. Some firms may be using marketing information lesser than others depending on the nature and type of business.

Following are the major users of marketing information:

1. **Consumer Goods Manufacturers.** Since they are very far from their customers, they rely very heavily on MR information. They use MR to test new product ideas, new package designs, measure effectiveness of their promotional efforts and determine brand, product and company image. In India, many consumer goods manufacturers like Hindustan Lever, TOMCO, Godrej, etc., are using MR information to make decisions in the above mentioned areas.

2. **Industrial Goods Manufacturers.** These firms use MR lesser than consumer goods manufacturers. They are having shorter distribution channels.. This way they are not far removed from their customers. They use MR to a certain extent to determine market and sales potentials by carrying out customer, order, territory, and product line analysis. They also use MR for forecasting their products as their demand for industrial products is heavily dependent upon the economic fluctuations. Price is the main consideration in sales and purchase of such products. In India, firms like Kirloskars,, Voltas, TELCO, etc., are using MR information to a greater extent.
3. **Market Intermediaries.** Agents, merchants, brokers, wholesalers, retailers, jobbers, salesmen, distributors, dealers, and other such intermediaries, etc., use MR information to a certain extent. Intermediaries do not need much of MR information as these are in direct touch with the firm and customers. They gather MR information through their experience in handling a large number of customers. Still, some wholesalers, dealers, and distributors particularly of technical products like tractors, engines, etc., are assigning MR projects to various research agencies to gather more clearly and definite market information.
4. **Consumer Services.** Banks, insurance companies, transport companies, tourism corporations, etc., use MR to a reasonable extent. They need more information on consumer attitudes. In India, service organizations have started realizing the growing importance of MR and they assign small research projects to understand the consumers' viewpoints with regard to their services.
5. **Media and Business Services.** Ad agencies, consultancy firms, TV, newspapers, magazines, radio, etc., are the very heavy users of MR information. They have got their own wings which collect information and subsequently process these. They sometimes purchase information from individuals and organizations possessing such information. These organizations use modern and sophisticated techniques to analyze and interpret the MR information. They in turn disseminate and thus sell the collected and analyzed information. In India, a number of business consultants, TV, Radio, newspapers, magazines, and number of Ad and MR agencies (e.g. Massey Ferguson, Thomson Associates, Lintas, Tata Consultancy, etc.,) is engaged in MR.
6. **Farmers.** Lately, farmers have also realized the importance of MR as they are interested to get better revenue for their agricultural produce. They want to know where they should sell and at what time and price so that they can earn better profits on their agro-based products like grains, vegetables, fodder, seeds, a\sugarcane, etc. They are also interested in MR because they are interested to purchase the best quality of agro-inputs for their farms. Thought the MR is of great significance to farmers, yet many farmers in India have not started reaping the benefits of MR.

7. **Rural markets.** Business people who operate in rural markets also require MR to a great extent. They intend to have information on consumers' needs, wants, and perceptions in rural markets. Rural marketing in developing countries like India is of great significance. Everyone is aware that more than 80% of Indian population lives in rural areas. This is a vast market if properly tapped through MR efforts. Some associations of business houses and institutes and councils have sponsored certain MR projects to be carried out on rural marketing. There is a need to further encourage and develop this type of activity so that more information could be gathered from rural markets and both poor people and business houses can be mutually benefited. Some agencies like UGC, ISRO, CSIR, ICAR, ICSSR, etc., have come forward to sponsor certain research projects in the area of rural marketing. Some firms like Mahindra and Mahindra, Punjab Tractors Limited, Escorts, etc., have also assigned some research projects to market researchers to explore rural markets in order to find market potential.
8. **Non-Business Users.** Government agencies, philanthropic and educational organizations, management associations, management institutions have also started using MR information. They are not after profits but of course they are gathering and analyzing pertinent market information so that they can improve upon their knowledge and skill in their respective areas. In India, All India Management Association and various chapters affiliated to this association are doing a lot of work by publishing a host of market information in their respective publications. Also in management institutes and University departments a large number of students are working on MR projects for the benefit of the academics, business organizations and society.
9. **Government Organizations.** Marketing research is also carried out by governmental organizations. The information collected by certain organizations like statistics department is of immense help to government for formulating her policies and plans. The information contained in statistical books published by the government is also of help to entrepreneurs, researchers and business organizations. Government generally conducts marketing research on issues like data bank functions, technology transfer and utilization, economic development, assessment of public policy impact, and planning. The government also collects information on agricultural market surplus, industrial market surplus and consumer goods market surplus, price indices, projections or forecasts for the future, exports-imports, etc. The government is using this information for her own policy formulation and planning.
10. **Miscellaneous users.** Several governmental and non-governmental new projects, forecasting the market demand, competitors' activities, consumer behaviour,



environmental changes, economic changes, technology changes, cultural changes, public policy changes, and marketing mix elements changes.

In a nutshell, there are a variety of users of marketing research varying from private business organizations to government departments. It is advisable that the government creates a separate department to carry out different marketing studies and the information be compiled in the form of books. This will facilitate different information users like business organizations and researchers. This will also help unnecessary duplication of records at various levels if these sources are will publicized and made available to users. This will help in saving cost, time and energy on certain studies, information of which is already available. Some researches are undertaken only because researchers do not know the source of already existing information.

## **Marketing Research Process**

*The following is the marketing research process:*

1. **Problem Formulation:** Marketing research tries to solve problems of marketing management for which formulation of problems is very essential because well defined and formulated problems can be solved very easily and appropriately. Formulation of problems is the first step of marketing research. Unless the problem is well-defined, the cost of information gathering may well exceed the value of the findings. The problem formulation should be neither too broad nor too narrow. The problems may be operating and non-operating.
  - (i) **Operating (Recurring) Problems:** The operating or recurring problems may pertain to sales forecasting, sales expenses, sales volume, sales opportunities, sales field, share of market, salesman's performance and so on. Also to problems relating to product-quality, product-line, promotional methods, advertising effectiveness and pricing policies. These problems can be solved by routine types of marketing research.
  - (ii) **Non-operating (Non-recurring) Problems:** There may be specific types of marketing research to solve non-operating problems. There may be problems of changes of competitive forces, price changes, sales-policies, consumption pattern, product innovations, and distribution channels. Similarly problems pertaining to a new product or a change in product-lines may come under the non-operating problems for which specific market research is required for effective marketing management.



2. **Collecting Marketing Information:** The second nature of marketing research is the collection of marketing information. The marketing information may be pertaining to new ideas, fact-finding or testing of certain hypotheses. The data and information may be collected from the survey of individuals, case study and secondary data.
3. **Selection of Respondents and Source of Data:** Selection of respondents for collection of secondary data is another important nature of marketing research. The respondents are selected on the basis of the objectives of the research. The selected respondents are interviewed and information collected from them. The respondents may be customers, salesmen, wholesalers and retailers and retailers depending upon the nature and objectives of the research. The interview may be directive or semi-directive. The objectives of marketing research are influenced by the attitude and capacities of the interviewer. Data collection methods are rapidly changing under the impact of modern telecommunication and electronics.
4. **Analyzing the Information:** In marketing research the analysis of information and data is essential to find out the required information. This is an essential nature of marketing research. The researcher tabulates the data and statistical techniques are used to analyze the data. The success of marketing management depends upon the ability of the marketing manager to evaluate the marketing information. He must be in a position to assess the nature of present and potential consumers, their needs and desires, their buying habits and preferences. The researcher applied advanced statistical techniques and models to discover new findings.
5. **Interpretation:** the interpretation of marketing information is a significant nature of marketing research. The marketing information is properly interpreted and analyzed. The information collected will have to be edited, coded, tabulated and analyzed to interpret the facts and figures of the market.
6. **Conclusions:** The findings of market research are presented in a systematic manner. The market research will be useful only when its reports or conclusions are known to the management. The researcher has to draw out rational conclusions from the collected data. The logical and rational conclusions of the market research will be useful to the management.
7. **Recommendations.** Market research recommends some suitable measures to solve problems. It may suggest appropriate steps to be taken to avoid problems. Research is not only connected with the collection and analysis of data, it also predicts the results from a course of action and recommends a suitable course of action to attain the objectives of the management.

## Advantages

*Following are the major advantages of Marketing Research:*

- i. It helps in obtaining sufficient background information where absolutely nothing is known about the problem area or product field in question.
- ii. It helps in concept identification and exploration
- iii. It is used to identify relevant or salient behaviour patterns, beliefs, opinions, attitudes, motivations, etc.
- iv. MR is useful in establishing priorities amongst categories of behaviour and psychological variables like beliefs, opinions and attitudes.
- v. Quantitative MR is helpful in generally defining problem areas fully and formulating hypotheses for further investigation and/or quantification.
- vi. MR is useful during a preliminary screening process in order to reduce a large number of possible contenders to a smaller number of probable ones.
- vii. MR also helps in obtaining large amount of data about beliefs, attitudes, etc., as data input for multivariate analysis studies.
- viii. It is also used in conducting post-research investigations or 'post mortems' to amplify or explain certain points emerging from some major study without having to repeat on a large scale.
- ix. It is used in piloting questionnaires to test comprehension, word forms, the memory factor, etc.
- x. MR of quantitative type is used where we cannot discover in a simple straightforward manner, like direct questioning, why people behave as they do because the field of enquiry is personal or embarrassing in some way. In such circumstances some oblique approach is called for in which projective questioning technique may be used in a qualitative research setting.

## Limitations

*Following are the major limitations of Marketing Research:*

- i. MR uses the techniques of science but it itself is not an exact science, therefore, the results obtained are not very accurate as compared to physical and chemical sciences.

- ii. MR is carried out in open marketplace where so many variables are acting on the research settings. It is not comparable anyway to the controlled laboratory situations as available in physical and other exact sciences. For example, suppose we want to measure advertising effectiveness and conducting an experiment in certain markets assuming that conditions will remain the same during the experiment period. If the competitors change their strategies our experiment results will get affected.
- iii. MR is carried out on consumers, dealers, wholesalers, retailers, etc., who are human beings. Human beings have a tendency to behave artificially when they know that they are being observed. So the customers or respondents start behaving artificially when they know that their attitudes, opinions, beliefs, etc., are being studied. This aspect of human behaviour distorts the MR results.
- iv. Subjectivity is the main limitation of MR. It is very difficult to verify the research results. Also the replication of the same project on the same group of respondents produces different research results. Verification is very difficult particularly when the primary data has been collected and used in the MR. therefore, objectivity and verification which are the important characteristics of physical science research are present to a lesser extent in MR.
- v. The MR projects take generally longer period than other ones. The time by which the research results are presented market situation also undergoes a change. Hence, the time gap affects the successful implementation of research results.
- vi. Researcher intentionally longer period than other ones. The time by which the research results are presented market situation also undergoes a change. Hence, the time gap affects the successful implementation of research results.
- vii. Researcher intentionally or unintentionally is biasing the research results in MR. While collecting data, the researcher may not feel motivated and may engage in cheating or misrepresentation of facts. Sometimes, researchers may be misled by the respondents by providing untrue information. They may be playing fun with the researcher or they may be trying to help the researcher in completing his task in a shorter time period and in the process distorting the research information and results.
- viii. Generally, the lack of appropriate training to researchers leads to misinterpretation of question to be asked for data collection. They may not be able to collect and present in systematic manner.
- ix. Some research sponsoring agencies are instructing the researchers to come out with particular type of solutions to particular type of problems. This may also be

done by certain top management executives to justify their arguments and want the researchers to come out with particular type of research results and suggestions. The whimsical attitudes of top management and agencies lead to distortion of research results.

- x. Many research executives are not very clear about the research problem and its objectives. They are not able to direct the researchers in a clear-cut way, how to conduct the research. This leads to haphazardness in the research and researchers are not able to do anything concrete.
- xi. In India, research is taken as a time-wasting and resource wasting activity. Therefore, MR does not get its due resource allocation in the organizations. Time and money remain the major limitations worth mentioning in all sorts of MR studies. This discourages the researchers and in turn they do not give their best to the organizations. There is an immediate need to change this negative attitude harboured by many business houses.
- xii. The researchers are not much motivated to make use of computers for analyzing the research results. First, the computers are very costly. Secondly, many researchers have not been imparted proper training in using the computers. If computers are widely used this will reduce the time taken by researchers for analysis and research results can be produced to the sponsors in a shorter period of time.

## Summary

Marketing Research is the systematic gathering, recording and analyzing of data about marketing problems to facilitate decision making. The marketing research is a tool of marketing information system which has become an important function of management. Scope of Marketing includes a wide range of research activities are covered by the marketing research.

For our convenience, we can put these activities into seven categories, viz., Product and Service Research, Market Research, Promotion research, Distribution research, and Pricing research.

Marketing research plays a vital role of making available the right information at the right time, in the right place and to the right person for use in decision-making. Marketing research process involves Problem Formulation, Collecting Marketing Information, Selection of Respondents and Source of Data, Analyzing the Information Interpretation, Conclusions and recommendations.

### Self Assessment Questions

1. Distinguish between Marketing Research and Marketing Information System
2. Explain the nature and scope of Marketing Research
3. What is the role of Marketing Research?
4. Examine the Marketing Research Process
5. State the Uses and Limitations of Marketing Research

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## Lesson 5.2 - Retail Market Consumers

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### Learning Objectives

- Know the characteristics of consumers
- Understand the retail markets in India
- Examine the consumer expectations

### Introduction

India is the country having the most unorganized retail market. The consumers play a vital role in the health of the economy. The subject of consumer behavior has focused on individuals and the factors that impact their decisions to spend their resources on consumption-related items. The concepts and theories of consumer behavior have drawn upon diverse disciplines as psychology, sociology, social psychology, cultural anthropology and economics.

Marketers need to know not only the personal and group influences that affect consumer decisions but also to identify their target audiences, where and how to reach them. The study of consumer behavior enables marketers to understand and predict consumer behavior in the marketplace. Consumer behavior has been concerned not only with what consumers buy but also with why, when, where and how they buy it. Consumer research was required to be done at every phase of the consumption process: before the purchase, during the purchase, and after the purchase.

The consumer spending is pushing the economy into a growth as well as liberalization mode. The Indian market is becoming stronger by the day and its economy is expected to maintain its growth at over 8 – 9 percent.

In India, while consumer demand is driving retail growth, it is in turn being driven by the factors such as economic growth and favorable demographics. The disposable income in India is expected to rise at an average of 8.5% p.a. Some of the other key drivers of growth driving the retail in India are favorable demographic changes in India's consumer class, international exposure, availability of increasing quality retail space, wider availability of products and brand communication.

Consumer behavior is evolving which is resulting in changing the face of Indian consumerism. With the adoption of Western values and growing brand consciousness lifestyle patterns of India's middle class. The Indian consumer has grown from being a price driven buyer to a more discerning consumer who needs to be convinced about the product's quality.

Global retail chains are eager to enter the Indian retail market. The promise of growth in the emerging Indian market, the saturation of growth in their home retail markets and the lack of mature organized retail markets in India are all reasons for their interest. Conventional wisdom about Indian consumers is that they consider the cost of the product or service as the main criterion to make a purchase decision. But has this changed with time?

The India Retail Industry is the largest among all the industries, accounting for over 10 per cent of the country's GDP and around 8 per cent of the employment. The Retail Industry in India has come forth as one of the most dynamic and fast paced industries with several players entering the market. But all of them have not yet tasted success because of the heavy initial investments that are required to break even with other companies and compete with them. The India Retail Industry is gradually inching its way towards becoming the next boom industry.

The total concept and idea of shopping has undergone an attention drawing change in terms of format and consumer buying behavior, ushering in a revolution in shopping in India. Modern retailing has entered into the Retail market in India as is observed in the form of bustling shopping centers, multi-storied malls and the huge complexes that offer shopping, entertainment and food all under one roof.

A large young working population with median age of 24 years, nuclear families in urban areas, along with increasing workingwomen population and emerging opportunities in the services sector are going to be the key factors in the growth of the organized Retail sector in India. The growth pattern in organized retailing and in the consumption made by the Indian population will follow a rising graph helping the newer businessmen to enter the India Retail Industry.

In India the vast middle class and its almost untapped retail industry are the key attractive forces for global retail giants wanting to enter into newer markets, which in turn will help the India Retail Industry to grow faster. Indian retail is expected to grow 25 per cent annually. Modern retail in India could be worth US\$ 175-200 billion by 2016. The Food Retail Industry in India dominates the shopping basket. The Mobile phone Retail Industry



in India is already a US\$ 16.7 billion business, growing at over 20 per cent per year. The future of the India Retail Industry looks promising with the growing of the market, with the government policies becoming more favorable and the emerging technologies facilitating operations.

### **Consumer Expectations**

In marketing context, people tend to perceive product/services and their attributes according to their own expectations. People see what they expect to see and what they expect to see is usually based on familiarity, previous experience, or preconditioned set of expectations. Furthermore, the stimuli that has variance with expectations often get more attention than those that are consistent with the expectations.

Most companies have a genuine interest in meeting customer expectations, but largely they neglect what the customer wants. Instead, they believe that they know what customer 'should' want and deliver that. When this happens, companies provide services that do not match customer expectations.

In a shifting demographic composition, consumer values, and consumer needs, the retailer is ought to understand the consumer expectations in order to develop suitable retail strategies.

### **Understanding Retail Markets in India**

The organized retail market in India is growing, but over 90%, of Indian consumers still depend on micro-shops and street vendors for their daily requirements. The organized retail chains are gaining popularity in the bigger metros, but with growing opportunities in tier-2 cities, the potential for a huge market exists. There has not been enough recent research on the Indian consumer's preferences and product choices and while a wealth of consumer preference studies have been conducted in western markets, these are not easily applicable to Indian markets.

In the growing market, retail marketing has become one of the major emerging trends in the entire economical cycle. It is the retail market only which provides the consumer a basic platform to encounter with goods and a shop keeper for the first time.

Retail market consists of a fixed location like boutique, store, departmental store etc, here in these location consumers meets the shop keeper and purchase goods in return of certain value. Maintaining a certain profit margin, these shop keepers sell goods to their

consumers. The basic motive of these shopkeepers is to satisfy the consumers and fulfill their needs and demands.

Retail marketing strategy has become one of the basic elements of marketing strategy which includes a lot of planning and proper execution of this planning. Now let us first focus on the basic nature of retail. Firstly in retail, a marketer needs to focus primarily on the needs and desires of the consumers.

Retail marketing even focuses on satisfying the consumers, maintaining a proper profit margin for the owner of the goods. Consumer needs are the basic key factors of retail. Retail marketing consists of 5 basic pillars, first is saving the precious time of the consumers. Second is setting the right prices of the goods, third is creating a proper connection with the emotions of the consumers, fourth pillar is paying the right respect to the consumers and lastly solving the problems of the consumer is another pillar of retail.

Creating consumer loyalty is the basic function of retail, as once you create consumer loyalty towards your brand it will be easier for you to stay in the market for a longer period of time. Creating consumer loyalty is not a very easy task, as it takes years for a brand to create consumer loyalty.

You can only create consumer loyalty if you have a retail marketing plan, some of such marketing plans are the sales promotional activities like loyalty cards, loyalty one, gifts, coupons, special discounts and reward program.

Reward program includes special gifts on purchase of bulk goods and loyalty cards are special privileged cards which are offered to consumers in order to provide them huge discounts and free gifts. These sorts of special sales promotional activities not only increase the sales target but at the same time increase consumer loyalty also.

With so many new sales promotional programs promoted by the retail marketing strategies, now it is possible to create a healthy relationship with the consumers. Previously creating emotional bonding with the consumers was not taken into consideration, and thus consumers were only treated as consumers who were just supposed to pay the price of the goods. Thus, this resulted in lower consumer loyalty and it gave rise to huge number of product switching.

Previously consumers used to shift to other brands very easily as there did not exist any brand loyalty. But now with the extensive features of retail marketing, it has become easier for the company not only to capture a huge market but at the same time create a

strong bonding with the consumers. Thus, this sort of marketing strategy did not only ignite the sales target and profits but at the same time increased the brand loyalty.

### **Consumer Shopping Styles Variables**

Bearden and Netemeyer in their compilation of marketing scales, have given details of the construct developed by Sproles and Kendall; Sproles and Sproles, with eight consumer shopping/decision making styles having the following characteristics:

***Perfectionist/High Quality Consciousness:*** The degree to which a consumer searches carefully and systematically for the best quality in products.

***Brand Consciousness/Price Equals Quality:*** A consumer's orientation towards buying the more, well known national brands.

***Novelty and Fashion Conscious:*** Consumers who appear to like new and innovative products and gain excitement from seeking out new things.

***Recreational and Shopping Consciousness:*** The extent to which a consumer finds shopping a pleasant activity and shops just for the fun of it.

***Price conscious/ Value for money:*** A consumer with practically a high consciousness for sale prices and lower prices in general.

***Impulsiveness/Careless:*** One who tend to buy on the spur of the moment and to appear unconcerned about how much he or she spends.

***Confused by over-choice:*** A person perceiving too many brands are stores from which to choose and who is likely to experience information overload in the market.

***Habitual/Brand Loyal:*** A characteristic indicating a consumer who repetitively chooses the same favourite brands and stores.

The A.T.Kearney report. The Retail sector in India has been hot for last 18 months or so...The huge Indian middle class consumer are now the blue eyed segment for biggies like Bharti, Wal-Mart, Reliance and loads of others, in race to capture their pie in Indian Retail Market. The modern retail Industry in BRICs (Brazil, Russia, India and China) is seen as having the maximum potential on growth worldwide. It grew by almost 30% in India and 13% in China and Russia last year. As the developed markets are becoming mature, retailers are eyeing new growth opportunities in upcoming economies. A.T Kearney, in their report, "Growth Opportunities for Global Retailers" have ranked India at No.1 position consecutively for the second year. The report sees Indian retail Industry to

grow exponentially over next few years. The ranking has been done for 30 upcoming global economies. It is based on 4 broad categories namely - Country Risk, Market Attractiveness, Market Saturation and Time pressure for a new entrant to start retail business. India, as per the report, ranks highly on Market saturation and time pressure as compared to China and Russia. The aggregated score for India stands at 92, followed by Russia at 89 and China with 86.

**Key Players Pantaloons Retail India Limited** Pantaloon Retail India Limited (PRIL), a Future Group venture started its operations with Pantaloon Shoppe in 1993 and has since emerged to be the retailing giant of India with over 5 million square feet of retail space spread over 450 stores across 40 cities in India. Pantaloons Retail has many firsts to its name in the Indian market, with discounted store formats like Brand Factory etc. setting benchmarks for new players entering the market. Innovative store formats like Hometown - a one stop shop for all the home requirements, Sports Bar- a sports theme restaurant complete with game courts and screens for match viewing, Health City- a value segment targeted spa and beauty care venture etc., are hitting the market, consolidating the market position of PRIL. The unique selling proposition of Pantaloon Retail is the dual approach to tap both the “value” segment and “lifestyle and luxury” segment consumers, by establishing retail formats in each segment like Big Bazaar, Fashion Station etc. aimed at value retailing while Central, Pantaloons captures the lifestyle segment consumers. Source: Company Reports

**Key Players Shoppers Stop Limited** Shoppers Stop, established in 1991 with its flagship store- Shoppers Stop, has now expanded to over 100 retail outlets spread across 1.1 million square feet of built-up area, spanning the entire spectrum of retailing verticals and formats. Private labels account for more than 21% of their retail revenues, with Shoppers Stop clocking impressive total number of transactions to consumer footfalls ratio (conversion ratio) of 27%. Strategic partnerships with international retailing players like Mothercare Plc of Britain and Leisure & Allied Industries of Australia, are aiding Shoppers Stop in catering to niche markets. Aggressive expansion plans are in pipeline for formats like Time zone, a leisure and entertainment format venture and Brio- the coffee bar located strategically in their Crossword bookstores

## Summary

India is the country having the most unorganized retail market. The consumers play a vital role in the health of the economy. Marketers need to know not only the personal and group influences that affect consumer decisions but also to identify their target audiences, where and how to reach them. In a shifting demographic composition, consumer values,

and consumer needs, the retailer is ought to understand the consumer expectations in order to develop suitable retail strategies. In India, while consumer demand is driving retail growth, it is in turn being driven by the factors such as economic growth and favorable demographics. Global retail chains are eager to enter the Indian retail market. The promise of growth in the emerging Indian market, the saturation of growth in their home retail markets and the lack of mature organized retail markets in India are all reasons for their interest. A large young working population with median age of 24 years, nuclear families in urban areas, along with increasing workingwomen population and emerging opportunities in the services sector are going to be the key factors in the growth of the organized Retail sector in India.

### Self Assessment Questions

1. What are the characteristics of consumers?
2. Give a detailed account of retail markets in India.
3. Examine the consumer expectations.

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## Lesson 5.3 - Research Prior to Setting up a Retail Store

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### Learning Objectives

- Understand the steps involved in the Research Process.
- Examine the need for research prior to setting up a retail store.

### Introduction

The main question faced by a retailer prior to setting up a retail store is whether he should go ahead with the store in that region/state/country. The primary information that he would need to look at would be:

- Demographic data
- Customer data

**Demographic data:** A study of the overall population, the age profile, the literacy rates, social and economic trends are termed as the *demographic trends*. They help the retailer understand the diversity of retailing in a particular region/nation. Many a times, this serves as the starting point for understanding consumer profiles. It also helps the retailer gauge whether the market is worth entering by calculating the number of customers that exist in the market, thereby determining the sales potential.

**Customer data:** Once a retailer is aware of the broad demographics of the region, he needs to understand the buying and spending patterns of households and what it is that the consumer is looking for. An analysis of the spending patterns of the various SEC groups indicates the changes in the buying patterns and the changes in the aspirations of the consumers. This is of great importance to the retailer as it gives him an indication of the type of products needed in the various markets. For example, in the last decade, households belonging to the mid-and low socio-economic classes are becoming relevant target groups for certain products. They have driven penetration for certain durables like televisions and pressure cookers.

Marketers faced with the issue of slowdown in growth due to saturation in the high socio-economic classes should examine these segments more closely as they represent increasingly important sources of future growth.

Managing growth and price stability are the major challenges of macroeconomic policymaking. In 2011-12, India found itself in the heart of these conflicting demands. The Indian economy is estimated to grow by 6.9 per cent in 2011-12, after having grown at the rate of 8.4 per cent in each of the two preceding years. This indicates a slowdown compared not just to the previous two years but 2003 to 2011 (except 2008-9). At the same time, sight must not be lost of the fact that, by any cross country comparison,

India remains among the front-runners. With agriculture and services continuing to perform well, India's slowdown can be attributed almost entirely too weakening industrial growth. The manufacturing sector grew by 2.7 per cent and 0.4 per cent in the second and third quarters of 2011-12. Inflation as measured by the wholesale price index (WPI) was high during most of the current fiscal year, though by the year's end there was a clear slowdown. Food inflation, in particular, has come down to around zero, with most of the remaining WPI inflation being driven by non-food manufacturing products. Monetary policy was tightened by the Reserve Bank of India (RBI) during the year to control inflation and curb inflationary expectations.

The slowing inflation reflects the lagged impact of actions taken by the RBI and the government. Reflecting the weak manufacturing activity and rising costs, revenues of the centre have remained less than anticipated; and, with higher than-budgeted expenditure outgo, a slippage is expected on the fiscal side. The global economic environment, which has been tenuous at best throughout the year, turned sharply adverse in September 2011 owing to the turmoil in the eurozone, and questions about the outlook on the US economy provoked by rating agencies. However, for the Indian economy, the outlook for growth and price stability at this juncture looks more promising. There are signs from some high frequency indicators that the weakness in economic activity has bottomed out and a gradual upswing is imminent.

Data categories and components Units	2006-07		2007-08		2008-09	
	2009-10		2010-11		2011-12	
<i>GDP and Related Indicators</i>						
GDP (current market prices) crore	4294706		4987090		5630063	
	6457352		7674148		8912178	
Growth Rate %	16.3	16.1	12.9	14.7	18.8	16.1
GDP (factor cost 2004-05 prices) ` crore	3564364		3896636		4158676	
	4507637		4885954		5222027	
Growth Rate %	9.6	9.3	6.7	8.4	8.4	6.9



Savings Rate % of GDP	34.6	36.8	32.0	33.8	32.3	NA
Capital Formation (rate) % of GDP	35.7	38.1	34.3	36.6	35.1	NA
<b>Per Capita Net National Income</b>	<b>31206</b>	<b>35825</b>	<b>40775</b>			
<b>(factor cost at current prices) ₹</b>	<b>46117</b>	<b>53331</b>	<b>60972</b>			

## Census of India 2011

The Indian Census is the most credible source of information on Demography (Population characteristics), Economic Activity, Literacy & Education, Housing & Household Amenities, Urbanization, Fertility and Mortality, Scheduled Castes and Scheduled Tribes, Language, Religion, Migration, Disability and many other socio-cultural and demographic data since 1872. Census 2011 will be the 15th National Census of the country. This is the only source of primary data at village, town and ward level. It provides valuable information for planning and formulation of policies for Central & State Governments and is widely used by National & International agencies, scholars, business people, industrialists, and many more. The delimitation/reservation of Constituencies - Parliamentary/Assembly/Panchayats and other Local Bodies is also done on the basis of the demographic data thrown up by the Census. Census is the basis for reviewing the country's progress in the past decade, monitoring the on-going schemes of the Government and most importantly, plan for the future. That is why the slogan of Census 2011 is "Our Census, Our Future".

<b>Population</b>	<b>Persons</b>	<b>1,21,01,93,422</b>	
	Males	62,37,24,248	
	Females	58,64,69,174	
Decadal Population Growth 2001-2011		Absolute	Percentage
	<b>Persons</b>	<b>18,14,55,986</b>	<b>17.64</b>
	Males	9,15,01,158	17.19
	Females	8,99,54,828	18.12
<b>Density Of Population (Per Sq. km.)</b>		<b>382</b>	
<b>SEX RATIO (females per 1000 males)</b>		<b>940</b>	
Population in the age group 0-6		Absolute	Percentage to total population
	<b>Persons</b>	<b>15,87,89,287</b>	<b>13.12</b>
	Males	8,29,52,135	13.30
	Females	7,58,37,152	12.93

Literate		Absolute	Literacy rate
	<b>Persons</b>	<b>77,84,54,120</b>	<b>74.04</b>
	Males	44,42,03,762	82.14
	Females	33,42,50,358	65.46

Source: websites

### Census of India – Figures at a glance

State Code	State / UT	Population			Sex ratio
		Persons	Males	Females	
	India <sup>@</sup>	1,028,737,436	532,223,090	496,514,346	933
01	Jammu & Kashmir	10,143,700	5,360,926	4,782,774	892
02	Himachal Pradesh	6,077,900	3,087,940	2,989,960	968
03	Punjab	24,358,999	12,985,045	11,373,954	876
04	Chandigarh	900,635	506,938	393,697	777
05	Uttaranchal	8,489,349	4,325,924	4,163,425	962
06	Haryana	21,144,564	11,363,953	9,780,611	861
07	Delhi	13,850,507	7,607,234	6,243,273	821
08	Rajasthan	56,507,188	29,420,011	27,087,177	921
09	Uttar Pradesh	166,197,921	87,565,369	78,632,552	898
10	Bihar	82,998,509	43,243,795	39,754,714	919
11	Sikkim	540,851	288,484	252,367	875
12	Arunachal Pradesh	1,097,968	579,941	518,027	893
13	Nagaland	1,990,036	1,047,141	942,895	900
14	Manipur <sup>@</sup>	2,166,788	1,095,634	1,071,154	978
15	Mizoram	888,573	459,109	429,464	935
16	Tripura	3,199,203	1,642,225	1,556,978	948
17	Meghalaya	2,318,822	1,176,087	1,142,735	972
18	Assam	26,655,528	13,777,037	12,878,491	935
19	West Bengal	80,176,197	41,465,985	38,710,212	934
20	Jharkhand	26,945,829	13,885,037	13,060,792	941
21	Orissa	36,804,660	18,660,570	18,144,090	972
22	Chhattisgarh	20,833,803	10,474,218	10,359,585	989
23	Madhya Pradesh	60,348,023	31,443,652	28,904,371	919
24	Gujarat	50,671,017	26,385,577	24,285,440	920

25	Daman & Diu	158,204	92,512	65,692	710
26	Dadra & Nagar Haveli	220,490	121,666	98,824	812
27	Maharashtra	96,878,627	50,400,596	46,478,031	922
28	Andhra Pradesh	76,210,007	38,527,413	37,682,594	978
29	Karnataka	52,850,562	26,898,918	25,951,644	965
30	Goa	1,347,668	687,248	660,420	961
31	Lakshadweep	60,650	31,131	29,519	948
32	Kerala	31,841,374	15,468,614	16,372,760	1,058
33	Tamil Nadu	62,405,679	31,400,909	31,004,770	987
34	Pondicherry	974,345	486,961	487,384	1,001
35	Andaman & Nicobar Islands	356,152	192,972	163,180	846

Source: Primary Census Abstract: Census of India 2001

Note: @ - Excludes Mao-Maram, Paomata and Purul sub-divisions of Senapati district of Manipur

The population of Manipur including the estimated population of the three sub-divisions of Senapati district is 2,291,125 (Males 1,161,173 and females 1,129,952)

### Population by sex and sex ratio

[www.FirstRanker.com](http://www.FirstRanker.com)

**Distribution of workers by category of workers (e.g., cultivators, agricultural labourers, household industries workers and other workers by sex**

State Code	State / UT	Total workers	Cultivators		Agricultural labourers		Household industry workers		Other worker		
			Number	%	Number	%	Number	%	Number	%	
00	India®										
	Persons	402,234,724	127,312,851	31.7	106,100%,330	26.5	16,956,942	4.2	151,189,601	37.6	
	Males	275,014,476	85,416,498	31.1	57,329,100	20.8	8,744,183	3.2	123,524,695	44.9	
	Females	127,220,248	41,896,353	32.9	49,446,230	38.9	8,212,759	6.5	27,664,906	21.7	
01	Jammu & Kashmir										
	Persons	3,753,815	1,591,514	42.4	246,421	6.6	234,472	6.2	1,681,408	44.8	
	Males	2,679,941	1,004,535	37.5	190,339	7.1	126,262	4.7	1,358,805	50.7	
	Females	1,073,874	586,979	54.7	56,082	5.2	108,210	10.1	322,603	30.0	
02	Himachal Pradesh										
	Persons	2,992,461	1,954,870	65.3	94,171	3.1	52,519	1.8	890,901	29.8	
	Males	1,686,658	834,312	49.5	55,658	3.3	34,034	2.0	762,654	45.2	
	Females	1,305,803	1,120,558	85.8	38,513	2.9	18,485	1.4	128,247	9.8	
03	Punjab										
	Persons	9,127,474	2,065,067	22.6	1,489,861	16.3	333,770	3.7	5,238,776	57.4	
	Males	6,960,213	1,762,869	25.3	1,104,140	15.9	178,798	2.6	3,914,406	56.2	
	Females	2,167,261	302,198	13.9	385,721	17.8	154,972	7.2	1,324,370	61.1	

04	Chandigarh									
	Persons	340,422	2,141	0.6	563	0.2	3,880	1.1	333,838	98.1
	Males	284,419	1,687	0.6	461	0.2	2,504	0.9	279,767	98.4
	Females	56,003	454	0.8	102	0.2	1,376	2.5	54,071	96.6
05	Uttaranchal									
	Persons	3,134,036	1,570,116	50.1	259,683	8.3	72,448	2.3	1,231,789	39.3
	Males	1,996,177	684,422	34.3	190,494	9.5	43,744	2.2	1,077,517	54.0
	Females	1,137,859	885,694	77.8	69,189	6.1	28,704	2.5	154,272	13.6
06	Haryana									
	Persons	8,377,466	3,018,014	36.0	1,278,821	15.3	214,755	2.6	3,865,876	46.1
	Males	5,715,526	1,855,547	32.5	717,133	12.5	132,069	2.3	3,010,777	52.7
	Females	2,661,940	1,162,467	43.7	561,688	21.1	82,686	3.1	855,099	32.1
07	Delhi									
	Persons	4,545,234	37,431	0.8	15,773	0.3	140,032	3.1	4,351,998	95.7
	Males	3,960,101	26,840	0.7	11,224	0.3	112,522	2.8	3,809,515	96.2
	Females	585,133	10,591	1.8	4,549	0.8	27,510	4.7	542,483	92.7
08	Rajasthan									
	Persons	23,766,655	13,140,066	55.3	2,523,719	10.6	677,991	2.9	7,424,879	31.2
	Males	14,695,802	7,062,726	48.1	1,055,332	7.2	419,528	2.9	6,158,216	41.9
	Females	9,070,853	6,077,340	67.0	1,468,387	16.2	258,463	2.8	1,266,663	14.0

09	Uttar Pradesh										
	Persons	53,983,824	22,167,562	41.1	13,400,911	24.8	3,031,164	5.6	15,384,187	28.5	
	Males	40,981,558	17,479,887	42.7	8,245,599	20.1	1,946,545	4.7	13,309,527	32.5	
	Females	13,002,266	4,687,675	36.1	5,155,312	39.6	1,084,619	8.3	2,074,660	16.0	
10	Bihar										
	Persons	27,974,606	8,193,621	29.3	13,417,744	48.0	1,100,424	3.9	5,262,817	18.8	
	Males	20,483,003	6,457,265	31.5	8,730,251	42.6	656,662	3.2	4,638,825	22.6	
	Females	7,491,603	1,736,356	23.2	4,687,493	62.6	443,762	5.9	623,992	8.3	
11	Sikkim										
	Persons	263,043	131,258	49.9	17,000	6.5	4,219	1.6	110,566	42.0	
	Males	165,716	70,107	42.3	8,762	5.3	2,849	1.7	83,998	50.7	
	Females	97,327	61,151	62.8	8,238	8.5	1,370	1.4	26,568	27.3	
12	Arunachal Pradesh										
	Persons	482,902	279,300	57.8	18,840	3.9	6,043	1.3	178,719	37.0	
	Males	293,612	136,336	46.4	10,329	3.5	3,177	1.1	143,770	49.0	
	Females	189,290	142,964	75.5	8,511	4.5	2,866	1.5	34,949	18.5	
13	Nagaland										
	Persons	847,796	548,845	64.7	30,907	3.6	21,873	2.6	246,171	29.0	
	Males	488,968	270,927	55.4	15,985	3.3	9,193	1.9	192,863	39.4	
	Females	358,828	277,918	77.5	14,922	4.2	12,680	3.5	53,308	14.9	

14	Manipur®										
	Persons	945,213	379,705	40.2	113,630	12.0	96,920	10.3	354,958	37.6	
	Males	527,216	214,282	40.6	49,928	9.5	20,547	3.9	242,459	46.0	
	Females	417,997	165,423	39.6	63,702	15.2	76,373	18.3	112,499	26.9	
15	Mizoram										
	Persons	467,159	256,332	54.9	26,783	5.7	7,100	1.5	176,944	37.9	
	Males	263,008	130,497	49.6	12,100%	4.9	3,476	1.3	116,260	44.2	
	Females	204,151	125,835	61.6	14,008	6.9	3,624	1.8	60,684	29.7	
16	Tripura										
	Persons	1,159,561	313,300	27.0	276,132	23.8	35,292	3.0	534,837	46.1	
	Males	831,346	220,962	26.6	162,640	19.6	14,830	1.8	432,914	52.1	
	Females	328,215	92,338	28.1	113,492	34.6	20,462	6.2	101,923	31.1	
17	Meghalaya										
	Persons	970,146	467,010	48.1	171,694	17.7	21,225	2.2	310,217	32.0	
	Males	568,491	255,018	44.9	90,888	16.0	9,358	1.6	213,227	37.5	
	Females	401,655	211,992	52.8	80,806	20.1	11,867	3.0	96,990	24.1	
18	Assam										
	Persons	9,538,591	3,730,773	39.1	1,263,532	13.2	344,912	3.6	4,199,374	44.0	
	Males	6,870,960	2,634,068	38.3	832,508	12.1	133,902	1.9	3,270,482	47.6	
	Females	2,667,631	1,096,705	41.1	431,024	16.2	211,010	7.9	928,892	34.8	



19	West Bengal									
	Persons	29,481,690	5,653,922	19.2	7,362,957	25.0	2,172,070	7.4	14,292,741	48.5
	Males	22,388,044	4,655,210	20.8	5,080,236	22.7	917,180	4.1	11,735,418	52.4
	Females	7,093,646	998,712	14.1	2,282,721	32.2	1,254,890	17.7	2,557,323	36.1
20	Jharkhand									
	Persons	10,109,030	3,889,506	38.5	2,851,297	28.2	430,965	4.3	2,937,262	29.1
	Males	6,659,856	2,405,371	36.1	1,485,322	22.3	237,466	3.6	2,531,697	38.0
	Females	3,449,174	1,484,135	43.0	1,365,975	39.6	193,499	5.6	405,565	11.8
21	Orissa									
	Persons	14,276,488	4,247,661	29.8	4,999,104	35.0	701,563	4.9	4,328,160	30.3
	Males	9,802,006	3,347,691	34.2	2,587,196	26.4	320,011	3.3	3,547,108	36.2
	Females	4,474,482	899,970	20.1	2,411,908	53.9	381,552	8.5	781,052	17.5
22	Chhattisgarh									
	Persons	9,679,871	4,311,131	44.5	3,091,358	31.9	198,691	2.1	2,078,691	21.5
	Males	5,531,859	2,466,477	44.6	1,262,559	22.8	115,860	2.1	1,686,963	30.5
	Females	4,148,012	1,844,654	44.5	1,828,799	44.1	82,831	2.0	391,728	9.4
23	Madhya Pradesh									
	Persons	25,793,519	11,037,906	42.8	7,400,670	28.7	1,033,313	4.0	6,321,630	24.5
	Males	16,194,368	6,882,776	42.5	3,518,368	21.7	519,127	3.2	5,274,097	32.6
	Females	9,599,151	4,155,130	43.3	3,882,302	40.4	514,186	5.4	1,047,533	10.9

24	Gujarat										
	Persons	21,255,521	5,802,681	27.3	5,161,658	24.3	429,682	2.0	9,861,500	46.4	
	Males	14,477,286	3,906,697	27.0	2,509,651	17.3	243,835	1.7	7,817,103	54.0	
	Females	6,778,235	1,895,984	28.0	2,652,007	39.1	185,847	2.7	2,044,397	30.2	
25	Daman & Diu										
	Persons	72,791	4,034	5.5	1,323	1.8	1,180	1.6	66,254	91.0	
	Males	60,569	2,008	3.3	347	0.6	381	0.6	57,833	95.5	
	Females	12,222	2,026	16.6	976	8.0	799	6.5	8,421	68.9	
26	Dadra & Nagar Haveli										
	Persons	114,122	39,470	34.6	14,715	12.9	850	0.7	59,087	51.8	
	Males	75,835	18,072	23.8	5,429	7.2	492	0.6	51,842	68.4	
	Females	38,287	21,398	55.9	9,286	24.3	358	0.9	7,245	18.9	
27	Maharashtra										
	Persons	41,173,351	11,813,275	28.7	10,815,262	26.3	1,089,318	2.6	17,455,496	42.4	
	Males	26,852,095	6,680,696	24.9	4,924,034	18.3	566,861	2.1	14,680,504	54.7	
	Females	14,321,256	5,132,579	35.8	5,891,228	41.1	522,457	3.6	2,774,992	19.4	
28	Andhra Pradesh										
	Persons	34,893,859	7,859,534	22.5	13,832,152	39.6	1,642,105	4.7	11,560,068	33.1	
	Males	21,662,192	5,201,564	24.0	6,453,741	29.8	710,222	3.3	9,296,665	42.9	
	Females	13,231,667	2,657,970	20.1	7,378,411	55.8	931,883	7.0	2,263,403	17.1	

29	Karnataka										
	Persons	23,534,791	6,883,856	29.2	6,226,942	26.5	959,665	4.1	9,464,328	40.2	
	Males	15,235,355	4,832,840	31.7	2,620,927	17.2	405,091	2.7	7,376,497	48.4	
	Females	8,299,436	2,051,016	24.7	3,606,015	43.4	554,574	6.7	2,087,831	25.2	
30	Goa										
	Persons	522,855	50,395	9.6	35,806	6.8	14,746	2.8	421,908	80.7	
	Males	375,218	25,708	6.9	15,970	4.3	8,991	2.4	324,549	86.5	
	Females	147,637	24,687	16.7	19,836	13.4	5,755	3.9	97,359	65.9	
31	Lakshadweep										
	Persons	15,354	0	0.0	0	0.0	902	5.9	14,452	94.1	
	Males	13,204	0	0.0	0	0.0	537	4.1	12,667	95.9	
	Females	2,150	0	0.0	0	0.0	365	17.0	1,785	83.0	
32	Kerala										
	Persons	10,283,887	724,155	7.0	1,620,851	15.8	369,667	3.6	7,569,214	73.6	
	Males	7,765,645	602,038	7.8	1,078,354	13.9	191,637	2.5	5,893,616	75.9	
	Females	2,518,242	122,117	4.8	542,497	21.5	178,030	7.1	1,675,598	66.5	
33	Tamil Nadu										
	Persons	27,878,282	5,116,039	18.4	8,637,630	31.0	1,499,761	5.4	12,624,852	45.3	
	Males	18,100,397	3,262,489	18.0	4,256,360	23.5	648,589	3.6	9,932,959	54.9	
	Females	9,777,885	1,853,550	19.0	4,381,270	44.8	851,172	8.7	2,691,893	27.5	

34	Pondicherry										
	Persons	342,655	10,900	3.2	72,251	21.1	6,339	1.8	253,165	73.9	
	Males	258,670	9,637	3.7	42,117	16.3	3,248	1.3	203,668	78.7	
	Females	83,985	1,263	1.5	30,134	35.9	3,091	3.7	49,497	58.9	
35	Andaman & Nicobar Islands										
	Persons	136,254	21,461	15.8	5,169	3.8	7,086	5.2	102,538	75.3	
	Males	109,162	14,937	13.7	4,043	3.7	4,655	4.3	85,527	78.3	
	Females	27,092	6,524	24.1	1,126	4.2	2,431	9.0	17,011	62.8	
Source: Primary Census Abstract: Census of India 2001											
Note:®- Excludes Mao-Maram, Paomata and Purul sub-divisions of Senapati district of Manipur											

		Population	(%)
Rural		742,490,639	72.18%
Urban		286,119,689	27.82%
State with highest proportion of Urban Population	Goa		49.8
State with lowest proportion of Urban Population	Himachal Pradesh		9.8
UT with highest proportion of Urban Population	Delhi		93.2
UT with lowest proportion of Urban Population	Dadra & Nagar Haveli		22.9

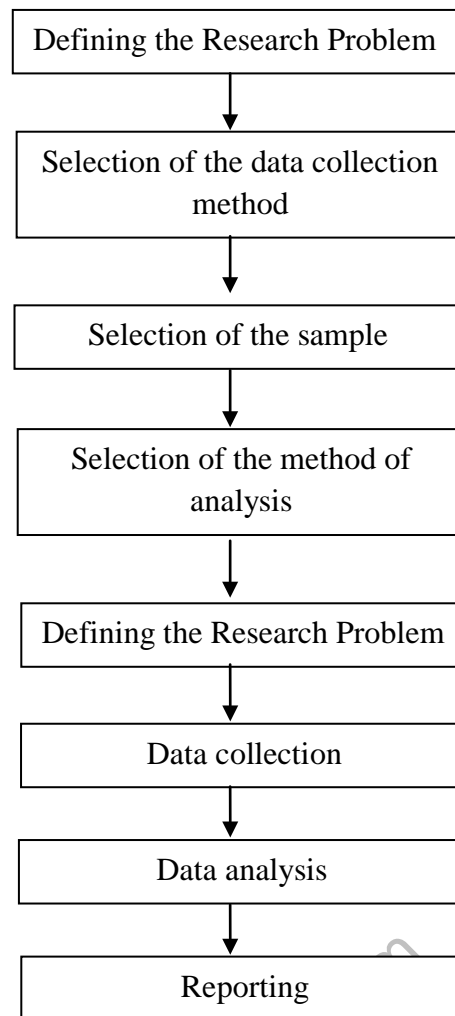
### Rural-Urban Distribution

### India GDP

The Gross Domestic Product (GDP) in India was worth 1847.98 billion US dollars in 2011, according to a report published by the World Bank. The GDP value of India is roughly equivalent to 2.98 percent of the world economy. GDP in India is reported by the The World Bank Group. Historically, from 1960 until 2011, India GDP averaged 368.8 USD Billion reaching an all time high of 1848.0 USD Billion in December of 2011 and a record low of 36.6 USD Billion in December of 1960. The gross domestic product (GDP) measures of national income and output for a given country's economy. The gross domestic product (GDP) is equal to the total expenditures for all final goods and services produced within the country in a stipulated period of time. This page includes a chart with historical data for India GDP



SOURCE: WWW.TRADINGECONOMICS.COM | THE WORLD BANK GROUP



### Steps involved in the Research Process

- 1. Defining the research problem:** Problem identification in a research project is like choosing the destination the journey. A research project without identifying the right problem is as meaningless as a journey without a destination. A problem as presented to the researcher is only a tentative problem, and it is just a statement of the problem as perceived by the decision-maker. It may not be the real problem in most cases, and it is the duty of the researcher to identify it correctly. But the researcher cannot identify the problem on his own because he does not have all the information that the decision-maker has, and hence the needs the active participation of the decision-maker in problem identification.

To identify the right problem and understand all its dimensions, the researcher should ideally know the following:

- The complete situation faced by the decision-maker.
- The alternatives he can choose from

- The expected outcomes of the alternatives
- The objectives of the decision maker.

### **The Food World Story**

Many RPG brands formed a part of almost every Indian's life. With businesses ranging from tyres (Ceat) to cellular telephony (Sprint) and from music records (HMV/Saregama) to retailing (FW, MusicWorld, Health & Glow), the RPG group touched the lives of all classes of Indians.

During 1990-2000, the group's compound annual growth rate (CAGR) was 25%. Since the time it was established, RPG entered into partnerships with many international companies, which included 16 Fortune 500 companies. By 2001, the group had 58,573 employees, a turnover of ₹ 66 billion and an asset base of ₹ 68 billion.

The estimates given by the Confederation of Indian Industry (CII) in May 2001 put the Indian retail industry's size at \$ 180 billion. According to a CII-McKinsey report, the retail industry had the potential to develop into a \$ 300 billion industry by the year 2010. Having realized this potential, RPG had already begun working hard towards establishing itself as the owner of the country's most successful chain of retail outlets.

RPG's foray into the retail business had begun way back in 1989, when it took over the retail store chain, Spencers. RPG was interested in Spencers due to its undervalued real estate and distribution infrastructure. RPG closed down various loss making divisions of Spencers such as manufacturing, air conditioners, small electrical appliances, pharmaceuticals, furniture, restaurants and repair shops. In 1991, the company reopened a Spencers store in Bangalore (Karnataka) after making considerable modifications.

The store sold hardware, eatables, kitchen appliances and items of clothing. The sales picked up and it broke even in the very first month. Encouraged by this success and realizing the growth potential of organized retailing industry in India, RPG decided to establish retail outlets all over the country.

Commenting on the company's retail thrust, Goenka said, "Retailing is now our major thrust area and the way retailing business is growing, I am confident that retailing will become our major business in the next four to five years." While planning to enter the organized retailing sector, RPG finalized three formats for its stores – 'FW' (for grocery and food items); 'Health and Glow' (for drugs, cosmetics and health products); and Music World (for music).



## RPG – Survey Results

- Consumers regarded shopping as a chore.
- Very few were aware of alternative store formats.
- As few families had cars to carry large quantities of purchases and freshness of the food was considered to be very important, shopping had to be done daily.
- There was growing dissatisfaction with the range of products available. Traditional stores did not have the space to carry a selection of different brands of any item.
- Increasing television penetration and brand advertising were creating greater awareness and consumers were looking for more choices.
- Quality was important, but there was a reluctance to pay a price premium.
- Added services such as home delivery and credit were desirable, but seldom used.
- Trust in the retailer, especially with regard to quality of food and replacement of defective goods was important.
- Self-service was seen as an advantage. A huge number of new brands were being introduced and promoted, generating demand for hands on comparison shopping.

The survey revealed that operating and logistics efficiencies were crucial for the success of any retailing venture and that they could be achieved only through the use of superior technology. Since RPG did not have prior experience in this field of business, it decided to take help from an experienced player.

After a year of search and evaluation, the group chose Dairy Farm, a Hong-Kong based retail giant with multinational operations, and entered into a technical alliance with it.

Another important finding of the survey was that in terms of overall satisfaction, traditional Indian grocery stores scored 5 – 6 on a 10 point scale. RPG believed that this was largely due to the absence of organized retailing and low brand proliferation. The group thus decided to offer people a pleasant shopping experience and work towards making grocery shopping less cumbersome.

The main challenge for FW was to alter the existing mindset of Indians with respect to price and value and add excitement to grocery shopping.

### **India shining: Rich families outstrip poor**

For the first time, the number of high income households in India has exceeded the number of low income families, the National Council of Applied Economic Research (NCAER) has estimated.

In its report, How India Earns, Spends and Saves, released on Saturday, the NCAER estimated that despite the slowdown in the economy in the last three years of the decade, the number of high income households would have reached 46.7 million by March this year, exceeding 41 million low income households.

If true, this would be a remarkable turnaround within just a decade. At the start of the decade, the number of high income households—those having incomes of more than ₹ 1.8 lakh per annum at 2001-02 prices—was only 13.8 million as against 65.2 million low income ones—those with annual incomes less than ₹ 45,000.

During the decade, the number of middle income households—those with incomes between ₹ 45,000 and ₹ 1.8 lakh per annum—is also estimated by the NCAER to have risen sharply from 109.2 million in 2001-02 to 140.7 million by 2009-10.

### **Slump didn't hit burgeoning rich: Study**

The slowdown in the last three years of this decade, the NCAER report said, had the maximum impact on middle income households. Though in absolute terms the number of middle class households grew from 135.9 million in 2007-08 to 140.7 million by 2009-10, in percentage, it fell marginally from 62% of all households to 61.6% in the same period.

Interestingly, the slowdown did not impact the expansion in the number of high income households, which grew from 16.8% to 20.5% of all households in the last two years. The fall in the number of low income households was also sharp, from 21.1% to 17.9%.

The NCAER also estimated the number of families with incomes between ₹ 2 lakh and ₹ 10 lakh per annum, which is close to the World Bank definition of middle class, at 28.4 million by 2009-10. The number of such households was 4.5 million in 1995-96 and 10.7 million in 2001-02.

The report said that two thirds of the Indian middle class is to be found in urban India.

On the spending side, the report said while rural households spend on an average ₹ 18,266 on food items in a year, urban households spend about ₹ 26,524. Rural households spend a little more than a third of their income on food, whereas for urban households it is slightly more than a quarter of their income.

The report, which is based on the National Survey of Household Income on a sample size of 63,016 households, pointed out that ceremonies and rituals constitute 51.5% of the unusual expenditure, which includes education, medical and travel.

On the savings pattern in the country, the report said nearly 83% of households save for emergencies. Children's education emerges as a key priority with 81% households saving to meet this requirement. About 69% of households save for old age, 63% to meet future expenses towards marriages, birth and social ceremonies.

India has one of the highest savings rates in the world, with savings constituting an estimated 36% of the gross domestic product.

*Source – The Times of India – 1 August, 2010.*

## Summary

A research project without identifying the right problem is as meaningless as a journey without a destination. A problem as presented to the researcher is only a tentative problem, and it is just a statement of the problem as perceived by the decision-maker. It may not be the real problem in most cases, and it is the duty of the researcher to identify it correctly. To identify the right problem and understand all its dimensions, the researcher should know such things as the complete situation faced by the decision-maker, the alternatives he can choose from, the expected outcomes of the alternatives, the objectives of the decision maker.

## Self Assessment Questions

1. What are the steps involved in the Research Process.
2. Examine the need for research prior to setting up a retail store.

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## Lesson 5.4 - Research After Setting up a Retail Store

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### Learning Objectives

- Examine the need for and procedure for knowing the retail shopper satisfaction.
- Understand the need for research after setting up a retail store.

### Introduction

Most of the Indian big business houses have forayed into retail market with a fan fare. A few years down the line, the organized retail giants should carryout research to find out whether they are successful or the retail outlets are doing well. To take stock of the prevailing situation, there is an imperative need to undertake research and survey after setting up retail stores.

After opening a retail store, the research requirements of the retailer change. He would now be concerned primarily with the level of satisfaction of the target customer. At this stage, research can help the retailer in the following areas:

- Evaluating customers' satisfaction with the existing range of products and services.
- Generating ideas for and developing new products.
- Evaluating the acceptability of the products and pricing of new products.
- Understanding customer profiles.

As the retailer expands to multiple locations, research becomes essential. The methods commonly used by retailers are:

- **Focus Group Discussions, using a large amount of stimulus material:** A dummy model of the store or the layout of each floor is presented to the group and the group members are asked how they should move around. This involves a virtual walk through and aids in understanding how consumers shop and the amount of time they spend in various sections. However, as the group members are aware that they are under observation the behavior may differ significantly.

- **Accompanied observation:** Here the researcher may provide paper money to the consumer and ask him or her to shop as she would under normal circumstances. By accompanying the consumer, the researcher can understand the movement through the store.
- **Profiling customers as they enter/leave the store to understand what they have purchased, etc.:** This can be done using a questionnaire, to aid the understanding of products purchased, satisfaction with the sales staff, billing and delivery procedures, etc. It can also be used to gain customer feedback on events and promotions conducted at the store.

Most retailers would commission research at this stage for a specific purpose or for an understanding that they wish to develop. Market research is thus an effective tool, which can aid the understanding of consumers and markets. The organized retail outlet periodically carryout market surveys to know the consumer satisfaction levels with the products and services offered by them. It prepares a questionnaire and administers among the shoppers and get responses from them. The responses thus obtained are tabulated, analyzed and interpreted. Basing on the outcome of the survey they craft strategies to increase the satisfaction levels of the shoppers thereby increasing the profitability. Usually, the questionnaire consists of the following questions:

Name of the Respondent :

Age:

Occupation:

Contact Details

Approximate Family income

Have you visited any Shopping malls before?

If Yes, please mention the names of malls visited

Name of the present mall

Below: 20 Years

21 – 35 Years

35 – 50 Years

50 – 60 Years

61 Years & above

Student

Business

Professional

Service

: Mobile:

E-Mail:

: ₹

: Yes

No

:

:

(Please tick (✓) wherever applicable, if you feel there are more than one answer to a question, please Tick and provide order of preference in the same column)

Sl. No.	Question	Feedback	
1	How did you <b>come to know about this mall?</b>	Advertisements	1
		Friends & office colleagues	2
		Eyes crossed over	3
		Neighbours	4
2	What <b>prompts you to visit this mall?</b> (Please Provide your order of preference)	Proximity to residence	1
		Offers Quality products	2
		Offers a variety of products	3
		Heavy items are carried up to your vehicle	4
		Availability of parking facility	5
		Offers lot of choice to choose within products/goods	5
		Door Delivery of goods	6
		Reasonable prices	7
3	How <b>frequently you buy household needs? (especially groceries)</b>	Weekly	1
		Fortnightly	2
		Monthly	3
		As and when required	4
4	How frequently you buy <b>vegetables &amp; fruits?</b>	Daily	1
		Weekly	2
		As and when required	3
		Not from the malls at all	4
5	What <b>items you would prefer</b> to buy from these malls?	Vegetables	1
		Fruits	2
		Groceries	3
		All household requirements	4
		Garments	5
		Items which are offered on discount	6

6	What is your opinion about the <b>Billing counters arrangement?</b>	Customers leave goods due to improper guidance on prices	1
		Leave goods due to Long queues at Billing Counters	2
		Separate counters for say less than 5 items/ limited items is necessary	3
		Loose items are weighed and weight slips to be kept inside packs	4
		Special counters are arranged immediately in peak hours	5
7	a) What is your opinion about the Adequacy of <b>Sales Staff at aisles?</b> b) Your views about the <b>quality of services offered by Sales Staff</b>	Inadequate to attend to shoppers	1
		Always busy in replenishing stock out items	2
		In some important sections the Sales staff are insufficient	3
		Well mannered and courteous to customers	1
		Provide good guidance on Products and Prices	2
		Explain customers on new products and new brands	3
		Know more than one language (including local Language)	4
		Always available around bins	5
8	What's your opinion in <b>organization of sections?</b>	Inattentive and pretends to be busy	6
		Product section-wise maps at the entrance required	1
		Direction sign boards are provided mentioning broad product categories	2
		Section wise & product wise movement made easy	3
		Product assortments are well arranged	4



9	What facilities are available <b>for breaks during shopping?</b>	Small cafeteria	1
		Restaurant	2
		Seating area is provided at the sides	3
		Drinking Water	4
		Nothing	5
10	What is your opinion on the <b>cleanliness</b> of the Mall?	Always maintained cleanly	1
		Adequately maintained	2
		Needs more attention	3
11	Are the <b>rest rooms clean?</b>	Yes	1
		No	2
12	Do you find <b>your needs always on the shelves?</b>	Yes	1
		Partially	
		No	2
13	What is your opinion <b>about Shelves arrangement</b> in the mall?	The shelves suits packing style & Nature of the products	1
		The shelves are delicate, and improper for certain items	2
		The shelves are kept within the reach of consumers	3
14	Do you feel the <b>new products</b> are given due importance in display to attract the attention of buyers	Yet to make such provisions	1
		Special launch scheme platforms are available to attract audience attention.	2
		Special display-Show cases at entrance are provided	3
15	Do <b>Advertisements released by this mall are found true</b> when you visit?	Total information is not provided	1
		What is said is implemented (esp. in discounts and prices offered)	2
		The benefits/discounts are offered only to early birds but not for all	3
16	Your opinion about <b>the prices offered by this mall</b> are:	Cheaper for majority of the items	1
		Some are cheaper but not in groceries	2
		Discounts are offered in non-popular brands	3
		Comparable to conventional Kirana Stores & grocery Shops	4

17	Do they accept credit and debit card's?	Yes	1
		No	2
18	What other facilities are available to attract buyers?	Travel mart	1
		Car/auto services	2
		Cinema	3
		Food courts	4
		Kids Zone	5
		Entertainment	6
19	What kind of attractive activities available at the mall?	Customer privileges card	1
		Special Discounted product sections	2
		Novel contests and sales promotion schemes	3
		Game Zone	4
		New Product Launches & complimentary kits	5
20	What about the quality of the merchandise offered in the mall?	Majority of the products are Branded	1
		Very less branded products are offered	2
		Less Known brands offered	3
		Garments are of less known brands	4
		Groceries are of good quality	5
21	Will you visit this mall again?	Yes	1
		No	2

### Overall Opinion about the Mall

1. Do you feel malls are necessary in Metropolitan's & important cities?
2. What is your Shopping experience in this mall?
3. What according to you will impact the buyers to visit again this mall?
4. What impact these malls will have on Kirana stores?

### Food World (FW)

FW defined its objective as: "To offer the Indian housewife the freedom to choose from a wide range of products at a convenient location in a clean, bright, and functional

ambience without a price penalty.' Initially, the target customers were identified as neighborhoods that had at least 4000 households with a monthly income of more than ₹ 4,000.

For this kind of a customer base, FW needed to start operations in a metropolitan city. Considering the fact that the cost of real estate was low in southern India, RPG chose Chennai (formerly known as Madras) and Bangalore as the initial locations for setting up FW stores. The cities were then divided into smaller areas so that the target neighborhoods could be easily identified. Seven localities were chosen in Chennai and the first store was opened at an upper-middle-income residential area of the city, Ramaswamy Road in May 1996. RPG decided to operate on the hub and spoke model wherein it planned to have a cluster of stores across a geographical area.

Even before starting its operations, FW realized that it would have to address several issues like distribution inefficiencies, poor supply chain management practices and low margins, which had been a source of trouble for the Indian retailing industry for years.

The company decided to work around this by focusing on 'extracting' margins from the supply chain. CEO Raghu Pillai (Pillai) said, "Everybody keeps saying there are no margins, but that is rubbish. There are margins, but you have to extract them by innovation on your supply chain."

In order to do so, FW decided to set up a centralized warehouse at all the places where outlets were to be opened. Suppliers would deliver their products directly to the warehouse. By redistributing from this warehouse, FW was able to cut through all the other distribution channels and consequently, cut down on costs incurred due to distributor margins, cash and freight margins and trade load. This initiative was mutually beneficial. As suppliers did not have to incur transportation costs for delivering to a number of stores, they passed on their savings to FW.

FW adopted a self-service format for its stores, which typically had around 4500 square feet of selling space. The designing of the stores was given special attention and a uniform look was adopted for all the stores. The colors red and yellow (as used in the FW logo) were used liberally while designing the stores. To give the outlets an up market look the interiors were kept completely visible for the public by using huge glass panes for the frontage. The interiors were kept brightly lit and emphasis was given on creating a clean, pleasant ambience. All the outlets were air-conditioned and played popular music continuously. All this was done with the objective of providing an enjoyable and refreshing shopping experience to its customers.

The merchandise primarily comprised groceries, personal care products, kitchenware and tableware. Over the years, this list was expanded to include music, magazines and a few other product categories to cater to a wider customer base. Based on the results of a consumer research, a list of 3,500 Stock Keeping Units (SKUs) was created. Care was taken to equip the aisles with clear signage and make them easily accessible. The ends of the aisles were rented to manufacturers for promotional display.

Every item in the store was marked individually with both price and bar codes. State-of-the-art cash registers and bar-code scanners were used. Separate payment counters were set up for people planning to pay through credit/debit cards and for people buying only 3 – 5 items. The attention paid to details is evident from the fact that CEO Pillai himself took an active part in designing the shopping carts used in the stores.

FW realized that the quality of its staff would be one of the keys to success and that delivering outstanding service would help the chain establish its superiority over the run-of-the-mill grocery stores. However, it was not easy as FW faced a lot of obstacles in finding well-trained staff, as retail stores in India had till then been largely owner operated, and retailing as a career was considered to be at the bottom end of the social scale. In order to tackle this problem, the company started a school of retailing – the National Institute of Retailing (NIR), which offered a three-month certificate course and a six-month work/study program. On the successful completion of the program, candidates were employed by FW.

In India, shopkeepers always sold goods at the maximum retail price (MRP), which was established by the manufacturers and enforced by the government. FW also set the prices of a majority of its products at MRP, but certain items, which were labeled as special value items in the store, were offered at 5 – 10% below the MRP. Thus, the discount scheme resulted in around 36,000 customers visiting the store in the first three weeks of its opening.

Initially, FW started its operations in a limited area. This allowed it to build an efficient distribution system and to deal with suppliers and manufacturers on a regional basis. Due to this, the company did not have to deal with cumbersome administrative processes (as different states in the country had different regulations and tax policies) in the initial stages and thus, it could concentrate on issues like customer service and sales expansion).

However, as FW gained a foothold in the market and became more comfortable with the business, it decided to go in for expansion in a phased manner. This was to be done after studying the food habits of different regions and the trends regarding the real estate

prices. Based on these findings, FW decided to establish outlets in the cities of Hyderabad (Andhra Pradesh) and Pune (Maharashtra), not going very far from its already established base in Karnataka and Tamilnadu.

For its expansion in other parts of southern India, FW again adopted the 'hub-and-spokes' model. The back-end activities of buying, receiving, database management, payment and support were carried out at the 'hub' in Bangalore. From here, stocks and information were transferred to the spokes, that is, the other stores in and around the state. By June 1999, FW had 29 stores – 11 in Chennai, 10 in Bangalore and 8 in Hyderabad, which collectively registered a turnover of about ₹ 110 million in July 1999.

In August 1999, RPG further strengthened its association with Dairy Farm entering into a joint venture with it. Dairy farm obtained a 49% stake in FW by investing \$ 6 million over an equity base of \$ 500 million, while RPG retained the remaining 51%. FW soon emerged as the largest organized, scientific retailing operation in India, providing customers with unparalleled choice of various product ranges at competitive prices.

Marketing tactics, which focused on localized promotions and advertising, contributed in a major way to FW's popularity. Discount schemes continued and thousands of fliers/pamphlets, promoting such offers were distributed to the target customer base through local newspapers and hand-outs given at the store itself. FW also launched a newsletter focusing on various promotional schemes. The newsletter also carried articles and reading material of interest for housewives and the family, in general. The chain regularly held various kinds of contests to attract and retain the interest of households. Such promotional practices continued over the years at almost all FW stores.

Over the years, FW formed alliances with various organizations to promote the latter's products as well. For instance, the leading toiletries brand Ponds formed an alliance to set up touch screen kiosks in some FW outlets. Similarly Baazee.com, a leading Indian auction website, entered into a partnership with FW to promote its brand-building campaign across outlets in Hyderabad.

As part of the partnership, Baazee.com hosted offline auctions at the outlets and targeted the local patrons of the store to facilitate their migration to its site. Those registering with the site became eligible for FW gift vouchers, which could be used for shopping at FW.

FW also entered into alliances with the fast food major, Pizza Corner and the satellite radio broadcasting company, WorldSpace. While Pizza Corner sold pizzas from FW outlets, WorldSpace displayed and sold its services and products at the stores. Such

tie-ups and promotional exercises were a routine feature for FW and almost all the major local festivals and other events of public interest were utilized to promote the retail chain.

### **Using Technology for Success**

Much before it started its operations, RPG had identified technology as one of the crucial areas for success. This was one of the primary reasons that it did not start FW until a suitable technology partner (Dairy Farm) was identified. RPG noted that item-by-item inventory control would be critical for the success of FW. So it invested in state-of-the-art cash registers and bar code scanners. At that time, there were no established norms for bar coding in India, so an entirely new bar-coding system was designed and implemented.

In December 2001, FW decided to use the internet and became the first Indian retailer to opt for the reverse auction mechanism for plastic carry bags in association with the leading Indian internet Service Provider (ISP), Sify. FW usually procured 15 tonnes of plastic Carry bags per month. To make the reverse auction process more viable, the quantity was increased to 45 tonnes (three month's requirement) the lowest bid that FW received was ₹ 66 per kg against the ₹ 73 per Kg that it was paying at that time. The translated into a saving of more than ₹ 1.2 million over a period of one year just on plastic bags.

A similar auction was conducted for 300 tonnes of rice resulting in a saving of 18 paise per kg (100 paise equals 1 rupee). Considering that its monthly requirement of rice was 600 tonne, the company's decision to go for the reverse auction mechanism was considered immensely helpful in cutting down costs. Besides cost reduction, the reverse auction provided FW with many other benefits. It offered a more productive and efficient negotiating environment and transparency for both FW and its suppliers. All bidders could see the lowest bid at any point of time and hence, could choose to bid a lower amount. For suppliers, the system offered guaranteed volumes and guaranteed payments (FW had to pay penalty in case it failed to pay on time).

Requirement specifications, quality testing and other commercial terms were standardized in the company's procurement process. To maintain quality, FW followed a very strict evaluation process. Each potential bidder (including the existing suppliers of FW) had to go through an evaluation process. The suppliers became eligible for participating in online bidding, only after they satisfied specified quality standards.

To utilize the Internet's potential further; FW was planning to create its own website, myfoodworld.com. The idea was to allow customers place orders for groceries, get home



delivery, and even pre-program their account (for instance, a customer could pre-program his/her account to get a dozen eggs every Sunday morning). However, after many Internet portals posted huge losses, this venture seemed to have been shelved by the company (The failure of RPG's other portals such as MusicWorld's saregama.com and musicworld4u.com seemed to have been a major reason behind this decision).

In order to attain efficiency in logistics, FW joined the Efficient Consumer Response (ECR) movement in India. ECR India, an independent joint trade and industry body was formed by leading FMCG majors in India to remove the glitches in the supply chain and work together to fulfill consumer's needs better, faster and at a lesser cost. ECR India undertook four projects, each under the leadership of one of its members, to study and solve the problems of stock-outs, logistics, organized retail and data-flows.

The leading consultancy firm, PriceWaterhouse Coopers was appointed to advise the ECR movement. The consultancy developed a scorecard, using which companies could benchmark their current practices against best practices.

This provided them with an understanding of their strengths and weaknesses. FW also used the tool to gauge its performance, after which a brain storming session was conducted with its top management team. As a result, the company realized that its supply chain initiatives needed to be strengthened in the areas of seamless replenishments, effective promotions, new product introductions and assortment planning.

In order to improve its supply chain, FW decided to minimize the ordering time on distributors and came up with the idea of improving the fill rate by sharing the stock data at the SKU level with the manufacturers.

It also identified the need to maintain a strong focus on the stock levels and initiated the cross-docking of receipts in all its distribution centers. It formed a template for managing its product promotions. These product promotions were divided into three groups: Mega Savers; Rupee Savers and Value Offers. FW undertook several measures to ensure that its promotions were not seen as mere gimmicks and those customers actually perceived the benefits that they offered.

## **MEGA Mall**

A lot of promotion activity has been undertaken by LANCO group mega mall in Hyderabad which is touted as south India's largest mall. Mega Mall is a vision of next generation architects while giving unique insight into the critical preoccupations of mall



goers and which will shape the future of shopping, entertainment, gaming, leisure, and urbanism. A luxurious, large, state-of-the-art and fabulously varied offering of shopping, dining, entertainment, and life itself is how MEGA MALL has been envisaged. Mega brands. Mega thrills. Mega delight. Everything about it promises to be MEGA. And very easily, the most awe-inspiring urbane experience ever enjoyed. This is the largest mall in South India and will soon redefine the Mall experience in Hyderabad. The unique features of the mall are as given under:

- One of the largest malls.
- A right-out-of-a fantasy land gaming zone.
- A new-modern multiplex and fine dining options like never before.

#### **The Entertainment zone of Lanco Hills**

- A 3 million sq. ft of pure delight.
- 12 – Screen plush multiplex & a Gold Class theatre with finest quality lounge.
- Double heighted atrium with reputed anchors & over 250 retail brands.
- A recreation zone which will leave you spellbound.
- The multi-brand superstores, high – end retail shops and hyper marts make shopping therapy easy and accessible.
- The scenic lakeside, multi cuisine & open to sky restaurants, sports bar and food courts are all geared to take you on an unending culinary odyssey.
- An ice-skating rink, 14-lane bowling alley, go-karting, extravagant Kids zone & with Largest gaming zone in the country presents Lanco Hills as a refreshing playground.
- Well-lit interiors, cascades, delicate fountains and gurgling water bodies that add the final touches.
- 5 level parking with 5000 cars parking planned for effortless vehicular movement & with pick – up, drop provisions & direct entry to the Movie Zone.

#### **Specifications of the Mall**

- 3 million sft. Of pure delight
- 12-screen plush multiplex
- Reputed anchors and over 250 retail brands

- Fine dining restaurants
- Food courts, coffee and sports bar
- Largest gaming zone in the country
- Kids zone
- 14-lane bowling alley
- Go-karting track
- 5000 cars parking planned for effortless vehicular movement

## Summary

After opening a retail store, the research requirements of the retailer change. He would now be concerned primarily with the level of satisfaction of the target customer. Evaluating customers' satisfaction with the existing range of products and services. Generating ideas for and developing new products. Evaluating the acceptability of the products and pricing of new products. Market research is thus an effective tool, which can aid the understanding of consumers and markets. The organized retail outlet periodically carry out market surveys to know the consumer satisfaction levels with the products and services offered by them. It prepares a questionnaire and administers among the shoppers and get responses from them. The responses thus obtained are tabulated, analyzed and interpreted. Basing on the outcome of the survey they craft strategies to increase the satisfaction levels of the shoppers thereby increasing the profitability.

## Self Assessment Questions

1. Examine the need for and procedure for knowing the retail shopper satisfaction.
2. Explain the need for research after setting up a retail store.

## CASE STUDY

### Horsemeat Scandal Across Europe

The scandal over horse meat sold as beef has spread to 16 countries across Europe as an abattoir in Romania was pinpointed for the source of at least some of the falsely labelled product. Horse meat found in Findus and Aldi frozen ready meals originated in Romania. French firm Comigel, which produced the lasagnes and spaghetti bolognese products, said it has established that one of its suppliers bought meat from a Romanian producer who used abattoirs where both cattle and horses were slaughtered.

The meat came to Romania through a dealer in Cyprus, working through another dealer in Holland, to a meat plant in the south of France, which sold it to a French-owned factory in Luxembourg, which made it into frozen meals sold in supermarkets in 16 countries.

British Environment Secretary Owen Patterson met a group of UK retailers, many of which have a presence in Ireland, to discuss the horse meat scandal. The supermarkets agreed to step up their testing regime and were ordered to publish these results to shore up consumer confidence. The affected Findus and Aldi products are being tested for phenylbutazone, an anti-inflammatory medicine used to treat horses, which is prohibited from the food chain as it may pose a risk to human health.

The Food Safety Authority of Ireland is advising consumers who have bought the products not to eat them but to return them to shops. Meanwhile, the French fraud office is launching its own horse meat investigation after Comigel, one of Europe's biggest food producers, was dragged into the scandal.

French Consumer Minister Benoit Hamon said that investigators had uncovered the Byzantine route taken by the 'fake' beef, from Romania via Cyprus, Holland and France.

Comigel said it had traced the horse meat to one of its suppliers – Spanghero, based in south-west France. Spanghero has said it will issue legal proceedings against its Romanian supplier and said it believed it was buying beef.

Europe's horsemeat scandal is spreading, as French consumer safety authorities say companies from Romania, Cyprus and the Netherlands were part of a supply chain that resulted in horsemeat being disguised as beef in frozen lasagna sold around the continent. Romania's president scrambled to salvage his country's reputation as Romanian authorities investigate the claim.

The Europe-wide scandal over horsemeat sold as beef spread in recent times as leading French retailers pulled products from their shelves and threats of legal action given. France promised the results of an urgent inquiry into the scandal within days and the government announced crisis talks with meat industry representatives horsemeat, disguised as beef and sold in frozen food in a number of countries,. However, the complexity of trading between wholesalers made pinpointing the source difficult.

As Britain dismissed calls for a ban on EU meat, producers and distributors insisted they had been deceived about the true nature of the meat and vowed to take legal action. The

horsemeat scandal that erupted in Britain reverberated across the continent. Several ranges of prepared food have been withdrawn in Britain, France and Sweden after it emerged that frozen food companies had used horsemeat instead of beef in lasagne, other pasta dishes, shepherd's pies and moussaka dishes.

French retailers Auchan, Casino, Carrefour, Cora, Monoprix and Picard announced they were withdrawing products provided by frozen food giant Findus and French producer Comigel over the horsemeat concerns. Findus has said it will file a legal complaint in France after evidence showed the presence of horsemeat in its supply chain "was not accidental". Its Nordic branch said it planned to sue Comigel and its suppliers. Comigel head Erick Lehagre told the company had been fooled by its suppliers and vowed to seek compensation. This is a breach of contract and fraud," said the head of Findus Nordic, Jari Latvanen. "such behavior on the part of a supplier is unacceptable."

In Britain, tests have found that some frozen ready meals produced in mainland Europe and labeled as processed beef actually contained up to 100 per cent horsemeat.

The scandal has had particular resonance in Britain, where eating horsemeat is considered taboo. British authorities have also said they are testing to see whether the horsemeat contains a veterinary drug that can be dangerous to humans.

Tesco, Britain's biggest supermarket chain, announced that it has dropped the supplier at the centre of its horse burger scandal over a "breach of trust". The retailer has dropped Silvercrest, part of the ABP Food Group, as a supplier, saying the "breach of trust [was] simply too great".

The supermarket giant's technical director Tim Smith said new DNA testing would be introduced for all of its meat products to avoid similar mistakes happening again. "The evidence tells us that our frozen burger supplier, Silvercrest, used meat in our products that did not come from the list of approved suppliers we gave them," Smith said. "Nor was the meat from the UK or Ireland, despite our instruction that only beef from the UK and Ireland should be used in our frozen beef burgers. "Consequently we have decided not to take products from that supplier in future. We took that decision with regret but the breach of trust is simply too great," Smith said.

Silvercrest says that it has "never knowingly bought or processed horsemeat", and insists that all of its purchases are from approved and licensed EU plants. Tesco and a number of other supermarkets removed certain brands of frozen beef burgers from their shelves, after they were found to contain horsemeat.

A study examining the authenticity of a number of beef burger, beef meal and salami products available from retail outlets in Ireland found horsemeat accounted for approximately 29 per cent of the content in one sample of Tesco Everyday Value Beef Burgers. The findings sparked a national outcry and 10 million burgers were taken off shelves as a result of the scandal.

Smith said: “Ultimately Tesco is responsible for the food we sell, so it is not enough just to stop using the supplier. “To underpin the strong measures already in place, we will now introduce a comprehensive system of DNA testing across our meat products. This will identify any deviation from our high standards.”

France’s biggest supermarket chains removed more of their own-label and Findus-branded processed dishes from their shelves. Carrefour, Casino, Auchan and Monoprix were among the store chains pulling a range of lasagne, moussaka, spaghetti bolognese, cannelloni and cottage pie products. Some Findus lasagne products tested were found to contain more than 60 per cent horsemeat.

Romanian horsemeat used in French-supplied frozen “beef” products “appeared to be a case of fraud”. At the very least, he said, imported meat had been relabeled without proper controls.

### ***The Supply Chain***

**UK:** Horsemeat is found in lasagne made by the frozen food company Findus. The Food Standards Agency says that some of the samples it tested consisted of between 60 and 100 per cent horsemeat.

**Luxembourg:** Findus was supplied by Comigel, based in northeast France, which makes similar products for food suppliers and retailers in 16 countries. The products containing horse come from a Comigel factory in Luxembourg.

**France:** The Comigel factory was supplied with meat from a company in southwestern France called Spanghero, whose parent company is Poujol.

**Cyprus/The Netherlands:** Poujol “acquired the meat from a Cypriot trader, which had subcontracted the order to a trader in the Netherlands”, according to Benoît Hamonn, France’s minister in charge of consumer affairs.

**Romania:** The Cypriot trader was supplied from an abattoir and butcher in Romania, whose food standards agency told “we have more than 25 abattoirs authorized not only to butcher horsemeat but also to export it within the EU”.

Matthieu Lambeaux, head of Findus in France, said the company had been tricked and would file a lawsuit against an unnamed party for fraud.

“We thought we had certified French beef in our products. But in reality, we were supplied with Romanian horsemeat. We have been deceived,” he said.

Jose Bove, the French green activist and vice-president of the European parliament’s agriculture committee, said a move to ban horses from the roads in Romania last year had led to a glut of horsemeat

Findus was supplied by a company based in northeastern France called Comigel, which makes similar products for food suppliers and retailers in 16 countries. The Findus products revealed to contain horsemeat in the UK came from a Comigel factory in Luxembourg. Comigel in turn was supplied with meat from a company in southwestern France called Spanghero, whose parent is called Poujol.

Mr Hamon, who warned that more products could turn out to be tainted, said in a statement that Poujol “acquired the frozen meat from a Cypriot trader, which had subcontracted the order to a trader in the Netherlands. The latter was supplier from an abattoir and butcher located in Romania.” Barthelemy Aguerre, head of Spanghero, insisted the horsemeat in question had been labelled as beef. “If it was indeed horsemeat, we will take it up with the Romanian supplier,” he said, threatening legal action.

Constantin Savu, Romania’s National Sanitary Veterinary and Food Safety Authority representative, told “As far as we know there was horsemeat provided from Romania, but this doesn’t raise any problem, because we have more than 25 abattoirs authorized not only to butcher horsemeat but also to export it within the EU.”

He said authorized veterinarians certified the slaughtering process and stamped the meat. “There is no problem with the fact that we export the horsemeat but we cannot know what happens to it on its way to export, after it exits the abattoir,” he said.

Sorin Minea, head of Romalimenta, the Romanian food industry federation, said he was convinced that importers would have known the meat was not beef, since horsemeat has a “specific taste, colour and texture”. The motivation for passing off horsemeat as beef

appeared to be financial, and authorities are concentrating on pursuing anyone guilty of fraud in the affair,

The Romanian horsemeat used in French-supplied frozen “beef” products “appeared to be a case of fraud”, France’s consumer affairs minister has said, as Investigations have revealed a tortuous supply chain spanning several countries, with the companies involved scrambling to shift the blame away from themselves. Horsemeat in burgers in Ireland and Britain has spread into a Europe-wide scandal.

While horsemeat is largely taboo in Britain and some other countries, in France it is sold in specialty butcher shops and prized by some connoisseurs. But French authorities are worried about producers misleading the public. It would presumably be a question of fraud, rather than food safety. Horse meat can be sold legally in the Netherlands, as long as it is labeled as such.”

### Questions for Discussion

1. Do you think the scandals like this will damage the image and reputation of retail outlets?
2. How to prevent mislabeling and fake products?
3. What measures to be taken in your opinion to regulate unethical practices in food category sold in the malls?

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